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JPRS 81633

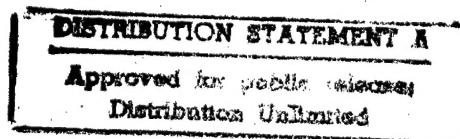
26 August 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2309

19980826 145



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B1 - CONTROL NUMBER: U287045
B4 - ACCESSION NUMBER:JPRS-81633
B3 - COLLECTION CODE: 3
B6 - MANAGEMENT CODE: XR
B7 - PROCESS ACTNG CD: 01 B7A-REGISTRATION FEE: 00000
B8 - PRODUCT MANAGER: H
B9 - RECEIPT TYPE: 1 B9A-LOAN DUE OUT:
B10- TRANSACTION: TN B10A-DUPE/PRIOR/SUPER:
B12- RETURNS: 0 B12A-RETURN DATE:
B13- PROCESSING: 1
B14- PAT. POTENTIAL: 0
B17- FORM/PRICE: 12002 ,
B18- ANNOUNCE: 0000
B19- PUBLICATION-1: u8303 B20- PUBLICATION-2:
B21- LIMITATION: 0
B23- PC BIN: 000
B24- STOCK: 0006 B24A-STOCK TYPE CODES: D
B25- PAGES/SHEETS: 00112
B26- PC PRICE CODE: A06
B27- DOMESTIC PRICE: 0000000 B28- FOREIGN PRICE: 0000000
B29- ACTION CODES: SS
B33- MN PRICE CODE: X00
B34- DOMESTIC PRICE: 0000000 B35- FOREIGN PRICE: 0000000
B36- ACTION CODES: XM
B37- RELEASABILITY CD: A
B38- MF PRINT: D
B39- ADDITIONAL INFO: n
B40- PRINT PC: n
B41- PC DUE: n
B42- SOURCE ORDER: n
B42A-GENERATE RDP: 0
B42B-SUPPLIER SRC CD: n
@06)East Europe Report, Economic and@@@
Industrial Affairs, No. 2309.[@@@
@11)26 Aug 82,[@@@

JPRS 81633

26 August 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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FBIS FOREIGN BROADCAST INFORMATION SERVICE

26 August 1982

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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CEMA GOALS TO FOSTER COMPETITION

Budapest FIGYELO in Hungarian 8 Jul 82 pp 1, 4

[Article by Antal Stark: "Development Alternatives"]

[Text] The creating or approximating a foreign trade balance, and the economic policy oriented to forcibly moderate growth is becoming evident everywhere in the 1981-1985 development plan of the European socialist countries. Central tasks without exception are decreasing imports, primarily the capitalist ones while at the same time increasing exports to a maximum. As preconditions for this, cutting back domestic consumption and the intention of significant structural transformation are universal features.

Avoiding unnecessary competition, and maximum utilization of the market opportunities make it necessary to analyze in detail the development policies of the other socialist countries and to draw conclusions from this for a practical domestic production expansion strategy. According to our research in this direction conducted at the Karl Marx University of Economic Sciences [MKKE] the practical main development directions for our processing industry can be summarized as follows.

During the 1980's within the processing industry each country wants to develop its machine industry at a more vigorous rate, and thus, with the exception of the Soviet Union, in every European socialist country more machine industrial products will be produced than needed for domestic consumption. Partly because of this, and partly because the machine industry embodies the high degree of processing, materialization of intellectual creation, and lower energy and financial requirements, it is obvious that we can expect lively economic competition in this area.

Within the machine industry particularly great attention is paid to the development of electronic (microelectronic) equipment. This, without exception, is a basic industrial policy goal everywhere. Since development means opening the gate to technical progress, it is a direction to be followed in this country also, but we must not set up for parallel capacity development. Our realistic goal can be to expand production cooperation, and first of all to expand the application of microelectronics.

With the goal of selling to the capitalist countries, theoretically three development directions can be defined, but their realization must be left mainly up to the market's selection. Joint manufacturing development based on cooperative contracts, and joint sales must be given the greatest promotion. This appears to be possible primarily in the areas of the vehicle industry, electrical machine industry and communication technology industry, and the agricultural and food industrial machines, but the green light should be assured for all areas where minimal profitability can be achieved. The second large group is composed of those products which we have been able to develop to a competitive level; such are, for example, certain energetics equipment, medical instruments, some complete machinery installations, etc. The production of those products can be listed in the third group the life curve of which is already declining, but there is still some demand for them. (For example, certain types of machine tools, communication technology items, instruments, etc.)

The major share of the machine industry's export can be sold in the future also in the CEMA countries. Even though each of the socialist countries are planning import limiting machine industrial developments, it is still obvious that, for example, the Soviet Union and Poland will continue to import chemical industrial equipment; the Soviet Union and Bulgaria, forging and pressing equipment; the Soviet Union and Czechoslovakia, various types of instruments; Czechoslovakia, Poland and the Soviet Union, geological and mining equipment; Bulgaria, energetics equipment; the Soviet Union, electrotechnical equipment; the Soviet Union and Poland, agricultural and food industrial machinery; and the list of these examples could go on and on. But the basic direction of our machine industrial development must be designated mainly in those areas, and supported with conscious development and an international trade policy, where we have the prospects of an offensive sales policy.

The first one is production of energetics machinery and equipment. Here, as a consequence of the development concepts of recent years, we did not join in the production of equipment for nuclear power plants to the extent corresponding to our traditions in energetics. Simultaneously with the elimination of this lag, it would be practical to also develop the export oriented production of traditional power plant equipment, mobilizing the intellectual background we have in this area.

The other large area is machinery and equipment manufactured for the production of food. Domestic development could be directed towards fulfilling the needs of the production systems for complete machinery lines in cooperation, and producing specialty equipment for the small scale producers which are expanding everywhere.

It would be worth our while to thoroughly consider the creation of capitalist industrial cooperation on a larger scale, partly for the purpose of selling to the socialist world, but even more so for reasons of export orientation to the capitalist countries. This could be directed at assemblies as well as at the production of communication technology, computer technology, etc., products. This would be undoubtedly successful also because it would force

our industry to install really modern technologies and could open the way to higher orders of dimensions of the international enterprising formats.

The earlier fast growth of the chemical industry will slow down everywhere in the coming years. The structure of the chemical industry will also be reevaluated. It is typical that the desire everywhere is to develop the specialty chemicals industry, the paint industry, and the pharmaceutical industry, which are based on small capacities. Most socialist countries wish to achieve a level of self sufficiency in the latter, which will unquestionably affect the Hungarian development policy.

Our pharmaceutical industry should be converted to a greater extent to capitalist sales, the probable condition for which would be direct association with one or two of the world's leading firms. Without this we will continue to remain on the peripheries, or the gradual dissipation of our decade of intellectual stock may even occur. We also must not feed illusions with respect to the production of plastics and manmade fibers, and significant opportunities cannot be expected in the export oriented expansion of the paint industry either. In spite of the parallel developments we can have some hope in cosmetics chemistry where our existing acceptance can be exploited.

International cooperation may develop in chemical industrial production related to agriculture. Thus obviously the import sources of our potassium and phosphorous chemical fertilizer requirements will remain. However, we should strive for much stronger results than the present in our export of plant protection chemicals, possibly in cooperation with the GDR. The realistic possibility of developing our lignite chemistry would also be practical to investigate within the framework of international cooperation.

Practically all socialist countries have significant exports in the clothing industry. Preliminary indications on the western market are extremely poor. The economic softening, which promises to be a lasting one, also limits the demand which can pay for the goods, and in addition to their own producers the presence of the other CEMA countries and of the developing countries on the market also create strong competition. (The industrially developed capitalist countries have agreed to allow textile imports from the developing countries to increase by at least 6 percent per year.)

Under such circumstances the development of the clothing industry is determined by two markets, the domestic one and that of the Soviet Union. This latter may be considered an expanding market until the turn of the millenium, but its exploitation is hindered by the limitations placed on material and energy source deliveries which are used to pay for them, and the occasional problems with the prices used in accounting for them. Considering the high capitalist import content of these products, only the absolutely necessary maintenance of the production volumes at existing levels is justified.

Are our conclusions correct, and are the outlined development directions realistic? We would be glad to receive opinions, and the FIGYELO would also provide space for them [publish them].

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CSO: 2500/331

CEMA'S REACTION TO ENERGY CRISIS FAULTED

Budapest HETI VILAGGAZDASAG in Hungarian 10 Jul 82 pp 46, 47

[Interview with Istvan Dobozi, staff member of the International Economic Research Institute]

[Text] The situation of energy in the world has dramatically changed in 10 years and has radically altered the conditions for making economic policy in general. The consequences were further exacerbated by several erroneous economic decisions, lengthening the necessary reaction time. What is the outlook of our chances in the future in assuring our energy needs? How does Dobozi Istvan, aged 33, co-worker of the World Economy Research Institute see the role of oil about to be deprived of its throne? Recently, he gave a lecture at the Hungarian Academy of Sciences entitled "Comparative Energy Policy: the Reaction of East Europe and West Europe to the Energy Crisis."

HVG: For years we have been hearing about energy savings programs, regulating the economy and therefore we would be inclined to believe that the two oil price increases or rather what followed them was convincing to everybody. Hereupon, it was a surprise to me to hear not long ago from the mouth of a native expert that our greatest energy consumers are not yet interested in reducing their "hunger" to a desirable level of consumption.

Dobozi: In the 1970's at the time of the first oil price explosion of the majority of CEMA countries gave the wrong response to the acceleration of energy difficulties. After 1973-74 in the four most highly developed CEMA countries the rate of energy demand has increased instead of the logically expected slowing down. Hence, they reacted just the opposite way than they should have while the West European countries have significantly decreased their energy consumption as a result of the oil price explosion. The CEMA countries began with the formation of an all-out strategy to restrain the energy demand only as a result of the second large increase of oil prices which took place towards the end of the 1970's. One of the reasons is that the energy supply originating from CEMA countries cannot be increased to accommodate on previous levels growing import needs of individual socialist countries. For that reason it became necessary to open up internal energy sources to the countries at a maximal pace, or alternatively one has to make arrangements to maintain the level of consumption, or just to moderate

it. Should this fail, the situation could be pushed to such extremes that the energy supply problem could seriously curb economic growth.

HVG: This is readily recognized by the consumers, but hastily added: in this matter goodwill shown on their part is not sufficient if the technology they have at their disposition is exceedingly energy demanding. They also say that switching to more up-to-date production puts more of a burden on the economy than the increased prices of energy.

Dobozi: This is only partially true. Had CEMA countries taken seriously the oil price explosion already at the beginning of the seventies they would have to fight fewer worries today. Namely, at the time prices of internal energy had increased only slightly as compared to the prices on the world market. The consumers were not sufficiently stimulated for savings, they were not made sufficiently interested to decrease the expenses, and the Soviet stabilization loans blunted also the effect of the high oil prices on the world market. All this led to such conflicts in accommodation on the level of national economy and that of the enterprises, that as a result the problems due to higher energy prices appeared mainly on the level of national economy. From this tension which developed on a "macro" level, the enterprises felt very little for a long time. The governments isolated the consumers from the world market with their assistance. It is very characteristic, that five years after the first price explosion the consumers acted practically as if there had been no oil problem within CEMA.

HVG: After the second oil price explosion the energy consumption has dropped in Hungary. In these economic steps considered to be necessary, the slowing of economic growth has played a major role, and within that the declining demand of branches with high energy requirement like iron smelting decreasing their production. In this breathtaking pause we can at least ask ourselves the question of what extent is the energy consumption of CEMA countries influenced by the structure of trade and its technical level?

Dobozi: In CEMA the problem of energy is at the same time the problem of structure shaping policy, the economic regulating system and of technical development. It can be ascertained that relative to our level of economic development--in my opinion--we have spent abnormally much for energy which bears upon the fact that in the majority of the countries of the area the energy consuming equipment is technically outdated. It can be proved today that the socialist countries made many erroneous decisions concerning their trade with the West in the 70's. Namely, the energy crisis has also significantly modified the earlier formulated concept of modern technique. Nevertheless, the CEMA countries were importing in massive amounts such technologies which were typical of the pre-energy crisis technics.

HVG: The picture you drew is rather dark. Can one imagine altogether, under the circumstances made known by you, an economic regulatory system which is suitable for rational stimulation?

Dobozi: In the plan-directed socialist economy in which the enterprises were interested in the gross production value, it was a better choice to use more,

and more expensive energy. This old attitude is working here and there even today because the regulatory system doesn't create a tremendous interest among the enterprises to economize with energy. In such a situation the enterprise can shift increased energy prices to its consumers. The increased price of energy influences only the cost-sensitive enterprise. Unfortunately, for the time being we cannot claim that our enterprises are sufficiently cost-sensitive.

HVG: It is therefore, unambiguously incorrect to protect the enterprises and individual consumers with prices kept low?

Dobozi: Like the CEMA countries, the West European governments made also an effort at the beginning, to protect the consumers and households with an adequate price policy. This way they prevented a sudden rise of inflation, they didn't allow domestic prices to rise to the level of world market prices. This way they tried to preserve the competitiveness of their industry on the world market. Under the influence of the repeated price explosion in 1979 in the majority of developed capitalist countries domestic prices were guided by world market oil prices even more so than earlier. Mind you, since 1980 the Hungarian energy policy took a similar direction.

HVG: Simultaneously with the energy economizing measures the question arises in the CEMA countries whether they can count on a sufficient amount of energy supply from the Soviet Union and mostly at what price?

Dobozi: The Soviet oil economy came into a new developmental phase in the 1980's. Undoubtedly it has lost of its earlier impetus. To be sure, in the current 5-year plan in accordance with the goals of the plan, the yearly increase of oil production is less than 1 percent as opposed to 5 percent until now. Many economists from there emphasize that the decrease in Soviet oil production is connected with the problem of oil reserves, since lately the opening of new vast oil fields became a lesser priority. In the eighties they are able to increase the production only at a moderate pace, and this means that the Soviet oil export could be increased only at the expense of domestic consumption. According to the estimate of the European Economic Committee, the Soviet oil export will not be higher in 1990 than it is in the 80's. And although with the completion of the Soviet gas pipeline to West Europe the Soviet Union can be expected to decrease its oil export to the western part of Europe, the CEMA countries still have to reckon with stiffening conditions of Soviet oil export. Therefore, it is probable that if the amount of oil bought from the Soviet Union will increase, the price of the excess [above the agreed upon quantities to be purchases] will be comparable to that of the world market.

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CSO: 2500/329

NEW PRINCIPLES OF ECONOMIC, ADMINISTRATIVE CONTROLS EXPLAINED

Prague HOSPODARSKE NOVINY in Czech 4 Jun 82 pp 1, 5

[Article by Engr Jan Roubal, deputy chairman of the CSSR Committee of People's Control: "Control—Tool and Support of Management"]

[Text] By its resolution No 108, the CSSR Government on 14 April 1982 approved the principles of controls in the national economy and state administration. They were concurrently approved by the CSR and SSR Governments. The fundamental principles of 2 July 1981 for improving the control system in the national economy and state administration were thus implemented along the state and economic line and supported by the directives of the government. These measures were published in HOSPODARSKE NOVINY No 38, 18 September 1981.

The attainment of demanding goals of economic and social development under the present domestic and particularly complex external conditions requires that the organs of management and supervisory personnel as well as all workers under the leadership of the CPCZ successfully fulfill the planned tasks while achieving high efficiency and overall quality maximizing domestic resources. There must be a fundamental turnabout also in controls exercised along the management line according to the principle "he who manages controls"; that is, control activity by supervisory personnel.

Only solid knowledge of the progress toward fulfilling tasks and particularly objective information on the steps taken for their implementation, on understanding and approaches of supervisory personnel at the lower levels of management, and on creation of necessary material and other conditions can assure the organs of management and supervisory personnel that more serious obstacles will not be encountered during realization or can show them where problems arise; where it is necessary to intervene and effect development.

Main Direction of Activity

The principles of controls in the national economy and state administration set the tasks in four main directions:

--they unambiguously regulate the role of control as a function of management as its integral part;

--they constitute it as a tool of state management of the national economy and of protection of societywide needs;

--they make big demands on its quality and effectiveness; and

--they define the main features of units of the control system in the area of state and economic management, stress the requirements of coordinating their activities and establish criteria for their successful work.

Controls must help consolidate management and, in accordance with the principle of a single manager, strengthen the authority of supervisory personnel, above all of heads of organizations. All control activity can be characterized as active support and concrete assistance to the organs of management and to the entire management sphere. The principles thus bind the organs of external control and all control other units along the line of management as direct and indirect tools in the full scope of the management process.

In addition to the duties assigned to the supervisory personnel, all other measures referred to in the principles of control, designed to strengthen internal control, aim at the control and technical departments' providing supervisory personnel with objective documentation for solving specific problems, for eliminating negative phenomena and for improving management in general.

In particular, the control organs and departments must insist that the tools of the management system in effect since 1981 be correctly applied, actively used and translated into the reality; they must determine and signal the deviations from the net course of action. By their weight, they should contribute to a climate of critical attitude toward management practice and quality of work in production, to commit themselves to the full realization of an important principle of the improved management system--remuneration according to the contribution to the results achieved--and, last but not least, to exert active pressure on efficiency of production, distribution, exports, domestic trade and services.

The principles assign a qualitatively new role to controls in the area of direct management, concrete decisionmaking on specific issues. Previously, the control organs in most instances acted after the fact: they checked how the specified tasks were fulfilled, what deviations from set goals occurred and whether and what irregularities or damage arose. This was not useless insofar as such checks contributed to a permanent remedy.

An important change, however, is now effected in this area: control is to be exercised in all stages of the management process. During decisionmaking, organs of management or supervisory personnel should be provided information on the findings of control organs--that in order to decide new goals and tasks on the basis of more detailed, objective findings by control organs on the past development and present situation, on the subjective factors in irregularities, on existing reserves and conditions of their utilization.

During organizational implementation of an adopted decision or set task, it is necessary to check, particularly at the lower levels of management, whether material, financial and capacity conditions have been created for their fulfillment and to provide for the elimination of existing shortcomings on the spot. At the same time, the control organ must inform the organ of management or the supervisors who have set the tasks, where the problems arise, where there is a hitch so that they can remedy the situation within their jurisdiction.

Such participation of control in all stages of management will render substantially greater assistance to the organs of management and heads of organizations in their demanding and complex work and will enhance prevention at the same time. The principles of control require that prevention must be effected not only in controls along the line of management but also in all control organs and control departments according to their function and work conditions.

Effective Tool of Management

The principles of control in the national economy and state administration attach particular importance to internal control as the effective management tool by the head of the organization. The biggest problems in inadequate use of controls as a tool of management frequently existed precisely in this area regardless of whether the cause was underestimation by the head of the organization or the low-quality work of control organs, which did not produce any objective findings or initiative suggestions.

The principles of control instruct the head of organizations to organize internal control as the rationally arranged, uniformly directed system that meets the needs of management and covers the main problems. This system consists of controls exercised by the head of the organization and supervisory personnel, by the control department directed by the chief controller, and by the technical department. By its nature, technical control of product quality is part of it.

This system should ensure objectivity and effectiveness of control and result in the consistent fulfillment of tasks and elimination of shortcomings without delay. The head of the organization must define the rights and duties of supervisory personnel according to the specified division of labor and must create necessary personnel and material conditions for highly effective internal control.

The head of the organization decides on the direction of work of all internal control and directly supervises the chief controller who heads the control department. The subordination of the chief controller to the head of the organization is logically based on the principle of a single manager and strengthens his authority.

The chief controller plays the role in internal control. He must affect the quality of management and of internal control. He has the necessary authority

to do so. He not only ensures rational work of the control department but also must influence controls exercised by other supervisory personnel and control departments as well as control in the subordinate organizations. The supervisory personnel must cooperate with him in developing the internal control system and must share in the formulation of the fundamental line of control and in the fulfillment of control tasks. In particular, they must actively respond to the suggestions of the chief controller concerning both specific questions and improvement of controls in their area.

The status of the chief controller in the system of division of activity, along with his lack of direct responsibility for solving specific problems and fulfilling set tasks, creates important prerequisites for the objectivity of internal control neither in its findings nor in the evaluation of shortcomings does this objectivity depend on those directly responsible for their cause and the fulfillment of tasks. This is not an end in itself nor should control be made superior to management. On the contrary, the underlying idea is that the effectiveness of assistance from the chief controller to the head of the organization unquestionably depends upon meeting the requirement that the findings by control be irreversible and the evaluation, objective. The chief controller cannot be dependent upon other supervisory personnel of the organization and must be directly subordinated to the head of the organization.

The head of the organization directs the work of the control department, supervisory personnel and technical departments to the key tasks of the organization and to other important measures. This provision of the principles of control is of considerable significance for strengthening management. In contrast to the present practice, whereby internal control, particularly its most important units—control departments—often focused on unsubstantial, marginal, not infrequently partial problems whose solution could not even be dealt with by the head of the organization, this is a fundamental change. If the internal control system is to assist the head of the organization effectively, assistance must come in the basic area for which he is undoubtedly responsible.

The principal tool of correct orientation of internal control will be the plan of key control tasks, which is drafted by the chief controller in cooperation with other supervisory personnel and submitted by him to the head of the organization for approval. This ensures that every fundamental control task is decided by the manager.

A significant feature of the adopted principles of control is that control must be an integral part of state management of the national economy and its effective tools not only in the center but also at all management levels. Its fundamental task is to protect state interests and to enunciate the needs of the entire society. Every control organ should contribute to strengthening uniform state policy in all important areas.

This important obligation must also be discharged by every unit of internal control. Control exercises as part of the ministerial, sectoral and enterprise management must also promote the fulfillment of tasks set by the state

plan, laws and other generally binding regulations, governments and supervisory organs.

Under no circumstances, however, must it undermine management by the head of the organization or cause disagreements between him and the chief controller. The general managers of economic production units as well as enterprise managers are representatives of the state. They are appointed by state organs or organs of economic management. In the organs and organizations that they manage, they must consistently implement economic and social policy of the party and of the state, promote the tasks of the state plan as well as the tasks set by the supervisory organs, and look after the observance of laws and enforcement of state discipline. Internal control must fully support them in this respect.

Quality and Effectiveness

The principles of control in the national economy emphatically stress the importance of quality and effectiveness of control. All control organs are required to ascertain, truthfully and demonstrably, not only the actual situation and deviations from the set tasks but also the basic causes of shortcomings, their harmful consequences as well as the persons responsible for them, and their duration. They must evaluate the findings and use them in their recommendation for adopting specific measures or for calling the responsible persons to account. The ultimate goal of control, however, must be the remedy and promotion of a positive development.

These principles fully apply also to all units of internal control. Among the duties of the chief controller is to ensure that internal control reaches the desired quality. The principles require him to examine the causes of inadequate work of the control department and of control exercised by technical departments and to carry out or recommend measures for improvement. Likewise he must evaluate and use the findings of internal control, including technical control for submitting proposals for the solution of specific problems. He should discuss the findings with the management personnel of subordinate organizations and turn to the head of the organization if his recommendations are not complied with or if there are fundamental problems.

The principles of control generally formulate the prerequisites for expedient and effective control. The supervisory personnel in the controlled organs and organizations are instructed to render all possible assistance to the control organs and particularly submit requested documents and give them requested information. In addition, they must explain their personal attitude toward discovered shortcomings, actively cooperate with the control organs and enact corrective measures.

Similar prerequisites for effective internal control must be created by the heads of the organizations within their jurisdiction along the horizontal and vertical line. They must make big demands on the quality of controls exercised by the control department, technical departments and supervisory personnel. The quality and effectiveness of this control are the indispensable prerequisites if the control findings are to be used successfully for the

fulfilling set tasks, improving their own management work, enforcing discipline and evaluating results of subordinate workers, departments and organizations as they are asked to do by the principles.

The principles of control contain important measures for rendering technical control more effective particularly because they redefine its duties, provide for its objectivity, require the appropriate adjustment of financial incentives and create technical prerequisites. Technical control must actively react to the cause of shortcomings in the quality of production and quality of products, bring them to the attention of workers in charge of production and its preparation all the way up to the head of the organization and demand their elimination without delay. The supervisory personnel must deal responsibly with the comments of technical control organs.

In contrast to current common practice, input control (vstupni kontrola) must not allow inferior raw and industrial materials and components to be used in the production process. With technically complex products in which the customer himself cannot discover, all potential defects, the manufacturer must make it possible for the customer to verify production quality.

Technological discipline must be uncompromisingly and consistently enforced in the production process. Although inferior production may be caused by the technical design or condition of production equipment, the findings indicate that in most instances it is caused by the nonfulfillment of basic work duties and frequently by the violation of technological discipline. The principles therefore contain the provision that interoperational control must not permit defective intermediate products to be processed further.

The principles of control could not fail to emphasize the great societywide responsibility of output quality control (vystupni kontrola). They must prevent industrial plants from releasing products not meeting requirements and in justified instances also stop shipments of products whose quality does not conform to technical standards, the conditions of delivery agreed upon or the approved samples, until the defects are corrected.

In order to achieve higher objectivity of work and particularly not to expose it to daily pressure of operational and production problems, the principles of control provide for the subordination of input and inter-operational controls to the head of the organization or to the department of quality control. Output control should be organizationally incorporated in the superior organization as its detached workplace in the production plant or, in justified instances, in the general directorate of the economic production unit.

To ensure objectivity and consistency of work, the heads of organizations and their supervisory organs are instructed to link personal financial incentives for the workers in the input control departments to the reduction of inferior production and rejects caused by the defects in material and components. Interoperational control should concentrate on minimizing complaints of control workplaces involved; output control, on preventing shipments of defective products.

The principles of control make it possible to apply these fundamental provisions in a differentiated way, depending upon the conditions and nature of production. Nevertheless, they must be applied consistently in order to ensure full objectivity and effectiveness of technical control. All prerequisites are thus given for eventually reducing substantially the number of complaints by the customers and the production losses, which are by no means negligible. Systematic technical control will also prevent inferior work from being equally remunerated as good work and will contribute to the replacement of occasional benevolence in evaluating work results with the uncompromising application of the principle of remuneration according to the amount and quality of work performed.

System of People's Control

Although this article concentrates on internal control, the principles set demanding tasks for improving the work of all external control organs. They assign an important role in the entire control system to the system of the people's control; that is, committees and factory commissions of the people's control.

In addition to the significant intensification and improvement of their control activity, the committees of the people's control must perform the unifying function in the control system; that is, above all affect the orientation of activity of other units of the control system and improve their work. Of all units of the control system they possess the best prerequisites for successfully discharging this function. They are directed by the highest executive organs of state administration--governments--or territorial representative organs--national committees. Their systematic activity in almost all areas of the national economy including the nonproduction sphere enables them to gain profound knowledge of the basic problems of development of the national economy, of the economic relations between its sectors, of where the fulfillment of tasks encounters difficulties and of where the control organs should intervene.

The principles of control call also for increasing the effectiveness of the work of factory commissions of the people's control. Their good work will represent significant support to the head of the organization. Although the factory commissions are part of the system of the people's control and are constituted by the committees of the people's control, which direct their activity and render them necessary assistance, they primarily serve the party organizations and enterprise management.

According to the principles, factory commissions should concentrate on the fulfillment of important tasks of the organization, particularly on the plan fulfillment, uncovering of reserves, rational utilization of funds, economy and protection of property in the socialist ownership. They present the results of their work to the supervisory personnel for application in management and to the party organization for utilization in political work.

The publication of principles of control represented another important step toward rendering the work of the entire control system more effective. The organs of management, the heads of organizations as well as the heads of control organs and departments, face the task of translating them into reality, of applying them in everyday practice. The results of control will depend not only on the thorough organizational work for the implementation of principles, on setting specific tasks and revisions of organizational regulations, but above all on correct personnel policy. Its urgency comes to the fore in internal control. In particular, those workers appointed chief controllers must have not only necessary technical knowledge and practice, but above all experience in political work and management in the given area.

10501

CSO: 2400/297

JAKES JOINS PUSH FOR INDUSTRIAL INTENSIFICATION

Prague RUDE PRAVO in Czech 24 Jun 82 p 3

[Interview with C. Milos Jakes, member of the presidium and secretary of the CPCZ Central Committee by Bohus Travnicek, chief editor of PRAVDA, Zdenek Horeni, deputy editor of RUDE PRAVO and Arnost Bake, deputy editor of PRAVDA; date and place not specified]

[Text] Fulfillment of the planned tasks in the Seventh Five-Year Plan is a very demanding objective. There is no shortage of problems, particularly in the area of fuels and energy, but also as regards raw and processed materials. Voices calling for softening of conservation measures often make themselves heard. Yet, we all know that not only for the present, but a-so for the future, there is only one solution--a comprehensive maximization of outputs, be it in quantity, quality or overall efficiency--with a simultaneous and unequivocal minimization of all inputs. Requirements for an intensive development of the national economy, in an entire complex of tasks, call for extraordinary exertion and their implementation without delay. The direction this effort is to take in the current 5-year plan is outlined in the resolution of the 16th CPCZ Congress. However, the rate of transition of our economy to intensive development and the systematic increase in labor efficiency and quality are not meeting these requirements. How to proceed and what to do to make our efforts more effective, as well as other questions, were answered by member of the presidium and secretary of CPCZ Central Committee C. Milos Jakes in an interview with comrades Bohus Travnicek, chief editor of PRAVDA, Zdenek Horeni, deputy editor of RUDE PRAVO, and Arnost Bake, deputy editor of PRAVDA.

[Question] The current stage of development of our national economy is marked by conditions and tasks that are extraordinarily complex and demanding. As an introductory part of this interview, could you briefly outline their specific features and indicate the basic directions, ways, and methods for dealing with them?

[Answer] The party line adopted by the 16th CPCZ Congress will be implemented under conditions that are even more complicated than they were at the time when it was promulgated by the Congress. Another unusual aspect is the fact that after very low rates of growth in 1981 and 1982, we are to renew, in the third year of the Seventh Five-Year Plan, the dynamic development of the economy and growth in the national income. However, I want to emphasize that all basic directions and trends pointed out in the resolutions of the 16th Party Congress not only retain their validity, but that their implementation is becoming even more urgent. And that means primarily that we have to fight more systematically for the implementation of the party line to move the CSSR economy onto a path of intensive development while providing a comprehensive push to improve the efficiency of gross production and quality of work. It must also be pointed out that only in following this route in our development, as was emphasized by the 16th Congress of our party, will the systematic application of research and development, as well as our purposeful and active participation in the process of socialist economic integration, particularly with the Soviet Union be able to accomplish its unique and irreplaceable function. Of no lesser importance is the mobilization of the people, of their creative efforts to attain the goals of the 16th Party Congress and the promotion of conservation everywhere, at every place of work.

And speaking of being unique, it rests in the fact that, in contrast to earlier years, fuel, energy, raw and processed material base for 1982 and subsequent years remained essentially at last year's levels; fuel consumption is even being reduced. This was brought about primarily by the unavoidable requirement to make our production more cost effective by making it less energy and raw material intensive; a fact of which the party's Central Committee has systematically and with increasing emphasis been reminding us in the last few years.

The attainment of the intent of the Congress, with its prime goal of maintenance of the standards of living, a balance in foreign [trade?] relations and a gradual reduction of indebtedness, which will consume the entire national income increment in the seventh Five-Year Plan, it became necessary to adjust the national income composition, primarily by increasing the share of consumer goods and reducing gross investment. Simply put, implementation of more balanced foreign trade relations and accommodation of greater consumer goods consumption could not be done without reducing the volume of investments and deciding on an uncompromising requirement for substantially more cost effective use of resources in the national economy. From this we can see that enforcing the considerable cuts in the consumption of fuels, energy, raw and processed materials; ensuring that the high requirements and savings in imports are met; reinforcing self-sufficiency in food production based on continued development of agricultural production; streamlining all types of transportation; and economizing everywhere; are the social priorities on which we must concentrate. Great care must be devoted to deliveries for the domestic market and development of consumer services; to a balance between buying power and availability of consumer goods to include the so-called shortage items, fashion goods and novelties. Successful solution to this multitude and other unnamed problems under even more difficult conditions calls for improved management: the implementation of the improved system of

planned management of the national economy and promotion of high standards of performance and personal responsibility. We must cope expediently with problems, eliminate shortcomings and develop and utilize the public initiative. We are justified in emphasizing that the way we work today is the way we shall live tomorrow. However, to that we must add that in order for us to live tomorrow the way we live today, we will have to work more effectively and manage our resources better.

[Question] What would you say to those who ask for more raw and processed materials, energy and labor to meet the goals?

[Answer] If we make a comparison with leading capitalist countries, but in some respects also with socialist countries, we find that there is no reason for us to maintain that we have too few resources for the development of our national economy. We must overcome the misconception that development of the economy and a growth of national income can be achieved only if we have more raw materials, energy, investments and labor. It is no secret that substantially better results are obtained with the same amount of raw materials and energy abroad than in our country. We actually have considerable resources but we must concentrate our efforts on their [efficient] utilization. It must be admitted that the discrepancy between fuel resources and consumption and raw materials and labor and investments is not caused by their absolute shortage, but through inefficient utilization. We are placing heavy emphasis on improved efficiency in the consumption of fuels and metals, as has been reflected in the state goal-oriented program being implemented. In view of the strain in energy resources, we must regard the specified goals as minimums and strive to meet the goals, adopted at the 10th All-Union Congress, to achieve a 2.5-percent saving in fuels while we look for possible ways of exceeding it.

However, our requirement, based essentially on intensification of the national economy, is that the growth in production be not just commensurate with, but that it exceed the increases in consumption of resources. In other words, that we achieve a higher production of high-quality consumer and capital products with reduced direct and past labor inputs. Thus, when we talk of improving the efficiency and quality of our efforts, we have in mind both making them less labor, energy and material intensive as well as improving the utility of products, their quality and reliability. Attainment of such goals calls for more effective and efficient research and development effort and an accelerated widely distributed implementation of the results in production availing ourselves of the great potential of scientific and technical cooperation, particularly with the USSR.

[Question] Many resolutions were adopted in this area and their correctness was confirmed by experience. However, the results obtained in production are not commensurate to the expended effort or resources.

[Answer] There are a number of reasons for our failure to obtain better results, but the main one is that the research and development progress has not as yet become the basis of industrial activities of enterprise and VNI [economic production units] management, or at the ministerial levels. The requirement

of the Congress directives that planning of research and development become the starting and the central point of our plans is not being achieved. That is one more reason why we must insist on the implementation of the directives of the 16th Party Congress--to continue improving planning and management, promote development and application of the creative talents of our people, and link the often onesided departmental interests between both the technological and scientific bases as well as production. Linkage of research and production and their motivation in dealing with problems important to society and in implementing the economic plans became the main concern. That is why efforts are underway to improve research and development planning and management and their practical application down to production levels.

Scientific and technological progress represents great wealth and its effective use increases in direct proportion to the recognition of the latest findings in research and development and their realization in useful applications. It is in the interest of us all that there should be a broad participation by the working public in using the results of research and development. This provides a great opportunity for our young people in particular.

[Question] In connection with the requirement that research become a direct productive force, emphasis has been on the necessity you mentioned earlier of linking the research with production. What is the current situation in our country and which direction should we follow?

[Answer] From the formal viewpoint, the linkage of the industrial technology and research and development bases with production, construction, and the agriculture and foodstuff industries is more pronounced here than in other socialist countries. Roughly 90 percent of the research and development potential in our industry is under the jurisdiction of VHI. This process commenced in our country in the sixties and made considerable advances in the Fifth and Sixth Five-Year Plans. The enterprise sphere of our industry today is widely equipped with research and development facilities, which is an important prerequisite for close relations between industrial technology and the research and development bases. The question is whether our VHI will manage to use their research and development potential effectively. Presently, the linkage of research and development and production does not exist in many a VHI and this problem will have to be dealt with much more systematically and more conceptually, taking into consideration the Soviet Union and the GDR experiences, so that the relations and objectives of research and development, design and production in one VHI or in the framework of a ministry be fused by a common interest--the end result.

[Question] How could research and development respond immediately in order to bring about the expected economic results beneficial to our society in given situation?

[Answer] You will certainly agree with me that this can be achieved primarily by improving the quality and efficiency in the reproduction stages, when new machines and products for which engineers develop materials, technical and work processes take shape in the minds of designers and planners, following efforts of research institutes as well as a worldwide pool of information. It is at

this stage that most of the decisions regarding the quality, utility, production costs and the production or product efficacy are made. In my opinion, mobilization of personnel engaged in preproduction stages provides the key to accelerated utilization of the findings in the research and development in each enterprise and VHI in the interest of increasing the effectiveness of social production and work quality.

Personnel engaged in preproduction stages--designers, technologists, planners, personnel preparing material for production and others--should keep their finger on the pulse of worldwide technological developments in their field and react faster to these new developments: they should not insist on following their own course at any cost, but take what is good in the world and apply it in our country. And, I would say, they should do so today, not wait for tomorrow. It is very important to motivate the preproduction teams to creative efforts.

Based on our concept of a more systematic integration of research and development and production efforts in our VHI, it appears inevitable that suitable conditions and an economic atmosphere would have to be created for stimulating literally a "hunger" for rapid and wide application of technological progress, particularly for improving quality and technological levels of production. And, in this respect, without a determined khozraschet [cost accounting system] and the socialist principle of pay according to merit we cannot make much headway. Very desirable, for instance, is assignment of [specific] tasks to our designers and project developers. The point is to establish objectives specifying the required technical and economic parameters. We must definitely come to terms with the situations where an order is actually formulated by those required to execute it not infrequently, even while, they are mired in the backwaters of the development. Literarily, the push for efficiency in the research and development must receive greater emphasis. We must insist on conservation in all areas and remunerate employees not according to where they sit, but according to how much they contributed to the solution of problems for the good of the society. Of importance is also close cooperation of designers, technicians and technologists with production work teams. We must use this cooperation to uncover our large unused capacity and, in the interest of its accelerated utilization, expand considerably the use of the expeditor teams. We must also support and make greater use of the efforts of scientific and technical societies, inventors and innovators. In the interest of accelerated application of research and development in practice, it is imperative to establish expeditor shops (as part of maintenance) which would facilitate accelerated production of new product samples, realization of proposals made by the inventors and innovators: produce machine prototypes, and accelerate introduction of advanced technologies.

[Question] What could you tell us about the conditions for pay according to merit and the suitability of introducing in our country the brigade type work organization and compensation based on actual work results?

[Answer] If we want to be just in compensations, we must establish standard criteria. To save material, we must know how much material can be used, there must be standards, norms, a just and technically justified performance, and

material use-norms. In order that the production teams assume decision-making in these politically important problems, it will be necessary to use the brigade type work organization and compensation through introduction of brigade khozraschet. In other words, we must get away from the existing egalitarian approach to compensation and apply a more systematic socialist justice--each according to his capabilities, to each according to his accomplishments.

What Comrade L. I. Brezhnev stated at the 26th CPSU Congress applies to us as well--"provide abundant support for conscientious workers. Leave no stone unturned where shirkers and those who produce rejects may hide and lead a good life while turning out shoddy work. He wants to live better, must work more and better."

That applies to workers, designers, engineers and management personnel. I am of the opinion that we must fully avail ourselves of the possibilities provided by the improved system of planned management and gradually start emphasizing the role of variable wage components, systematically oriented to efficiency and quality which results from well-organized work, people's initiative, high cost consciousness and application of the research and development results.

[Question] You spoke on the importance of intensification of the economic, scientific and technological cooperation with socialist countries and the necessity of making better use of their experiences, particularly that of the Soviet Union. What directions and methods shall we follow in the interest of implementing resolutions of the 16th Party Congress in the area of economic, technical and social policy?

[Answer] Countries of the socialist community have at their disposal a tremendous economic potential. And could we increase it even more if we join our efforts, not only in crisis management, but for long-term goals of economic and social development. In this context I think primarily of fuels, energy, foodstuffs, and the achievement of the developed world parameters in construction and production, particularly in engineering. Practical experience shows convincingly that the task involving transition of the economy to intensive development is becoming ever more complicated.

In this context, our joint communique, during a visit of our delegation led by C. G. Husak to the Soviet Union, said that the socialist community, due to its powerful economy, a developed research and development potential, a highly qualified core of workers and rich natural resources, has the full potential necessary for coping with any complex social and economic tasks. A consultation on economic problems at the highest levels of CEMA member countries, now under preparation, is to contribute to maximum utilization of that potential in our common interest. Our party pays great attention to preparations for this meeting. It wants that its recommendations contribute to coordination and development of a common economic policy, a more uniform management and improvement in the effectiveness of the CEMA efforts to deal more expediently and more responsibly with the problems of cooperation, specialization and, further, to achieve coordinated development in the production of equipment which most countries of the community are importing from advanced capitalist countries. The point is, that the concerted economic pressure exerted by the USA leadership, which seeks to slow down the development of the economy of

socialist countries and to prevent our solutions to socioeconomic problems, be faced by a solidly united and coordinated economic policy of CEMA based on coordinated economic plans.

We consider the planned development of mutually beneficial cooperation with the Soviet Union, the possibility of combining material and intellectual resources for creation of large production complexes, extracting and efficient utilization of natural resources as emphasized during the visit of our party and government delegation in the USSR to be crucial elements of success. To this end the long-term program for development of specialization and cooperation which is in effect until 1990, includes, for example, the nuclear program and offers new possibilities in further promotion of the division of labor, joint development and implementation of advanced scientific, technological and production improvements, direct contacts among ministries, associations, enterprises and the establishment of joint companies. Joint efforts are to concentrate on areas with optimum potential in determining the current technological developments, such as production of energy-saving equipment and technology, electronics, particularly microprocessors, industrial robots, numerically controlled machine tools, and increasing CSSR participation in modernization and expansion of Soviet foodstuff and light industries, trade and public services. Such cooperation opens up great possibilities for gradual structural changes in our industry to making them less material and energy intensive. Thus, in addition to products of a high technological levels that can also be sold in foreign markets, we shall concentrate more on development of precision engineering, small batch chemicals production, biotechnology and chemical additives for agriculture.

During the negotiations by our party and government delegation, it was also pointed out that in the course of intensive development of both economies it will be necessary to strengthen the cooperation in dealing with such problems as continued improvement of the economic mechanism on the basis of economic laws of socialism, mutual sharing of collective experience and of all the best that is available in the practice of socialist economy. In this respect there still is a great deal of unused potential.

First of all, we must familiarize ourselves with progressive Soviet experiences, such as, the Zlobin contract team-work method; or the Rostov workers' movement characterized by the slogan 'Not a single laggard on the team,' which was expanded into workshops, enterprises and cities; and the movement for the right to have one's own stamp of [approval of the] highest quality.

Equally great possibilities are offered by a closer bond between our and Soviet scientists because with our own resources we are not capable of providing for adequate research and development which are a necessary requirement for continued improvement in production efficiency, quality and labor productivity. It is to our detriment when, for example, we are tackling problems that already had been solved in the Soviet Union or elsewhere. In so doing we are not only wasting the time in trying to find a solution, but we are also wasting our effort and resources.

Soviet science and technology as well as the developments in the Soviet industrial production to an ever-increasing degree effect the worldwide economic and cultural developments. Our goal is to continue to establish ever more new forms of close, integrative cooperation between Soviet and our scientific institutes, design and development centers and production plants. Very much will depend on our active approach to further intensification of economic integration which is a great advantage offered by our system and is becoming an important condition for our continued comprehensive development.

[Question] What is the role of our party organizations and communists in the struggle for intensive development of the national economy?

[Answer] What is involved, first of all, is that the policy of the 16th Congress and its implementation under the current complex conditions be correctly understood by every communist and that he actively contribute toward its implementation. But that is not enough. The goals of the 16th CPCZ Congress and of the 7th Five-Year Plan can be met only with active participation of an absolute majority of all working people. This makes it necessary that party organizations and its members provide, in cooperation with the Revolutionary Trade-Union Movement, the Socialist Youth Association, national committees, the Society for Science and Technology, and other organizations of the National Front, for a uniform course of action in complying with the resolutions, that they ensure that everybody knows his tasks and that management create the conditions for accomplishment of those goals. Therefore, the efforts for accomplishing the goals of the plan for 1982 and focusing of the workers' initiative, full support for counterproposal planning, participation of people in the management, just remuneration, use of the best experiences, and a timely overcoming of obstacles and shortcomings must stand in the forefront of the party organizations' effort. They must take care that problem solving be approached from society's viewpoint and that discipline be enforced at work and nationwide; that the improved system for planned management of the national economy be systematically implemented; that full use is made of *khozraschet*; that no production of poor quality merchandise be tolerated and, that goals in technological developments and innovation be met in time. From this viewpoint we must pay more attention to improvement of the quality of the work of the party, trade unions and the socialist youth associations in preproduction phases where efficiency, quality, and the level of utilization of raw materials and energy are decided.

Attainment of the objectives of the Seventh Five-Year Plan cannot be accomplished without the exercise of party controls in order to effect a systematic implementation of policy under local conditions, or without the improvement of the cadre work, to include dealing with any weak spots. All this requires a broad development of ideological education and political mass activities. Party organizations should carefully, and on time, pay attention to the opinions and needs of workers, respond to them and wage a struggle against anything that interferes with implementation of party policy, they must support development of criticism and self-criticism as the most effective way toward rectification of shortcomings and not back away from confrontation with those who would damage the interests of the party, the state of the workers.

In short, there is a need for reinforcing the militancy of the party organisations, stepping up the effectiveness of party work with the attained results, the active support of party policy by the working public as the sole criterion. There is also a need for facing effectively attempts of the class enemies to create doubts about the correctness of our path which, even though some snags and obstacles may develop, follows the most important objective under the current complex conditions--the maintenance of the standard of living and social security of our people together with the countries of the socialist community and forces of social progress for the consolidation of peace in the world.

8204

CSO: 2400/310

MACHINE TOOL INDUSTRY STRUCTURE, PRODUCTION OUTLINED

West Gerlin DIW-WOCHENBERICHT in German Vol 49 No 29, 22 Jul 82 pp 384-390

[Article by Cord Schwartau, German Institute for Economic Research (DIW), West Berlin: "Machine Tool Construction in the GDR." Translations of articles cited in footnotes are published under quoted headings in the following JPRS issues of this series: Footnote 8--"West German Study Evaluates GDR Electronics Industry," by Cord Schwartau, 79570, 2 Dec 81, No 2206, pp 39-49; Footnote 17--"West German Analysis of First Half 1981 Economic Performance," by Doris Cornelsen, DIW, 79108, 1 Oct 81, No 2181, pp 35-41; Footnote 18--"Mittag Addresses Combine Directors on Management Tasks," by Guenter Mittag, 81339, 22 Jul 82, No 2296, pp 7-24]

[Text] Machine-tool-building in the GDR--which turns out products at the historical sites in Berlin, Saxony, and Thuringia, especially in the area around Chemnitz (Karl-Marx-Stadt)¹--is considered the "very heart of rationalization and automation" in industry. Over the past 10 years it has been pushed on an above-average basis primarily to accomplish export tasks. Two-digit annual growth rates were also specified in the 1981-1985 Five-Year Plan.

Exports have been expanded constantly at the expense of supplying the domestic national economy. During the 1950's already, the machine-tool-building industry achieved export quotas amounting to definitely more than 50 percent. During the 1960's they rose to the vicinity of 70 percent; during the 1970's they moved toward 80 percent and they would seem to be even higher today. Due to the heavy dependence on exports, the success or failure of this industry branch is due above all to its international competitive capability. It is of course questionable whether the share left for domestic use is enough to attain the ambitious modernization and growth targets of GDR industry during the 1980's.

On the Present-Day Structure

The four combines of the GDR machine-tool-industry were formed in 1969-1970 from the enterprises of what was then the Machine-Tool-Building VVB (Association of State Enterprises) and they are now under the Ministry of Machine-Tool and Processing Machine-Building (see Table 1). They set the example for the founding of combines in 1979-1981 throughout all of GDR industry. Organizational changes in the area of the Ministry of Machine-Tool and Processing

Machine-Building however have still been made until very recently: The Ruhla Watch Combine was switched to the Ministry of Electrotechnology and Electronics; the Textima Combine was founded in 1979; the Shaping Technology Combine was expanded by the addition of the enterprises of plastics and elastic machine-building (machine-building for the plastics-processing industry); the Erfurt High-Intensity Current System Construction VEB (state enterprise) was likewise assigned to this combine.

Table 1. Combines Directly under the Ministry for Construction of Machine Tools and Processing Machinery (as of 1981)

| 4 Kombinat | 5 Gründungs- datum | 6 VEB im Kombinat | 7 Beschäftigte | 8 Industrielle Waren- produktion in Mrd. Mark | 9 Export- quote in vH | 10 Produktionsprogramm |
|---|--------------------------|-------------------------|-------------------|---|--------------------------------|---|
| Werkzeugmaschinenbaukombinat "Fritz Heckert" Karl-Marx-Stadt 11 | 1.1.1970 | 19 | 27 000 | 1,75 | rd. 80 | Fräs-, Bohr- und Sonder- maschinen, Schleifmaschi- nen zur Bearbeitung pris- matischer Werkstücke 19 |
| Werkzeugmaschinenbaukombinat "7. Oktober", Berlin 12 | 1.1.1969 | 12 | 20 000 | 1,60 | 75 ¹⁾ | Dreh- und Verzahnmaschinen Schleifmaschinen zur Bear- beitung rotationssymmetri- scher Werkstücke 20 |
| Kombinat Umformtechnik "Herbert Warnke", Erfurt 13 | 1.1.1970 | 16 | 20 000 | 1,50 | 90 | Scheren und Pressen für die Metallverarbeitung, Maschi- nen für die Kunststoffver- arbeitung 21 |
| Werkzeugkombinat, Schmalkalden 14 | 1.1.1969 | 18 | 14 000 | 1,15 | 2) | Werkzeuge aller Art, Werk- zeug- und Werkstückhalter, handgeführte Werkzeugma- schinen, Hartmetalle 22 |
| WERKZEUGMASCHINENBAU insgesamt 15 | | 65 | 81 000 | 6,00 | über 70 | |
| nachrichtlich: 16 | | | | | | |
| Polygraph, Kombinat für polygraphische Maschinen, Leipzig 17 | 1.1.1969 | 14 | 15 500 | 0,75 | 90 | Druck- und Buchbinderei- maschinen 23 |
| Kombinat Textima, Karl-Marx-Stadt 18 | 1.1.1979 | 43 | 33 000 | 2,10 | 3) | Maschinen für die Textil- industrie, Haushaltsnäh- maschinen, Fahrräder 24 |

Key: (1) 1979; (2) No longer measurable because of large share of indirect exports; (3) Unknown; 4--Combine; 5--Date founded; 6--Number of VEB in combine; 7--Number of employees; 8--Industrial commodity output in billions of M; 9--Export share in percent; 10--Production program; 11--Fritz Heckert Machine-Tool Construction Combine, Karl-Marx-Stadt; 12--7 October Machine-Tool Construction Combine, Berlin; 13--Herbert Warnke Forming Machinery Combine, Erfurt; 14--Schmalkalden Machine-Tool Combine; 15--Machine-tool-building, total; 16--For information; 17--Polygraph Combine, Leipzig; 18--Textima Combine, Karl-Marx-Stadt; 19--Milling, drilling, and special machinery, grinding machines for processing prismatic work pieces; 20--Lathes and gear-cutting machines, grinding machines for processing rotation-symmetry work pieces; 21--Shears and presses for metalworking, machines for plastics processing; 22--Tools of all kinds, machine-tool and work-piece holders, hand-controlled machine-tools, hard metals; 23--Printing and book-binding machines; 24--Machines for the textile industry, household sewing machines, bicycles. Sources: Calculations by the DIW [German Institute for Economic Research] based on official GDR press publications.

The Fritz Heckert (Karl-Marx-Stadt) and Umformtechnik [shaping technology] (Erfurt) combines have in recent years been singled out for praise in almost all plan fulfillment reports. By 1985, their real industrial commodity output is to be increased by more than half, compared to 1980 (Fritz Heckert, 69.5 percent; Umformtechnik, 60 percent); the increase thus is definitely above the plan targets for the entire machine-building industry (41 percent). The general managers and the leading staff members of both of these combines play an outstanding role during the conferences of the combines, during congresses, and in numerous publications on combine development.

In 1969-1970, the combines in the machine-tool-building industry were formed according to the product principle, that is to say, in the GDR and partly also in the CEMA, they are the sole producers of certain types of machines, for example, the 7 October Machine-Tool Combine (Berlin) does cutting, rotation-symmetry processing; the Fritz Heckert Combine does the cutting processing of prismatic work pieces; the Umformtechnik combine above all does the pressing for shaping metal working. The technical development of material-saving methods--more precise shaping techniques (casting and rolling), improved shaping methods, microelectronics, and robot technique--has a varying effect on the growth of the individual combines.

The number of employees almost doubled after the founding of the combines; the number of enterprises on the other hand was reduced due to mergers. Important supplier capacities were integrated into the combines. Thus they have their own foundries, for example, the Fritz Heckert Combine has a foundry in Meuselwitz, the 7 October Combine has one in Karl-Marx-Stadt, which reportedly are among the biggest and most modern enterprises of their kind in Europe. Another important example is the build-up of capacities for the development of modern non-numerical controls. The inclusion of research facilities in the combines is also of great importance; for example, the Machine-Tool-Building Research Institute in Karl-Marx-Stadt (1,600 employees) was integrated into the Fritz Heckert Combine and the Shaping Process Research Institute in Zwickau (300 employees) was integrated into the Umformtechnik Combine. Finally, the foreign trade enterprise responsible for the entire industry branch has been under the 7 October Combine (Berlin) since 1970.

The parent enterprises, which perform management functions within the combines, have been given very much greater weight than they ever had in terms of the number of employees and the investments. This applies particularly to the Fritz Heckert Works in Karl-Marx-Stadt (formerly the Wanderer Machine-Tool Works) and the parent enterprise of the Umformtechnik Combine in Erfurt (formerly Henry Pels). These enterprises today have 4,000 or 5,000 employees.

In a comparison with the machine-tool-building industry in the FRG, there are some special aspects in statistical processing which must be considered. Machine-tool-building, based in the DGR mostly in the Schmalkalden Machine-Tool Combine, is listed under machine-tool-building in the FRG. This also applies to plastics and elastic machine-building (1979, 9,500 employees, barely DM0.5 billion industrial commodity output) which in the GDR has been under the Umformtechnik Combine since 1979. The technical community for

machine-tool-building in the VDMA [Association of German Machine-Building Institutions] in the FRG essentially includes enterprises which make machine-tools for cutting shaping (commodity class 3211) and machine-tools for non-cutting shaping (commodity class 3212) (see Table 2).

Table 2. Machine-Tool-Building in the GDR and the FRG
According to FRG Criteria

| | | DDR | Bundesrepublik Deutschland |
|----|--|--------------------------|-------------------------------|
| 1/ | Zahl der Beschäftigten | 57 000 | 99 000 |
| 2 | Industrielle Warenproduktion bzw. Produktion | 13 rd. 4 Mrd. M | 9,9 Mrd. DM |
| 3 | davon: spanabhebende Masch. umformende Masch. | 77 vH 23 vH | 69 vH 31 vH |
| 4 | Zahl der Betriebe | 14 40 (in 3 Kombinat) | 440 |
| 5 | Exportquote | 15 über 80 vH | 63 vH |
| 6 | davon: spanabhebende Masch. umformende Masch. | 13 rd. 80 vH 90 vH | 58 vH 74 vH |
| 7 | Anteil des Werkzeug- maschinenbaus | | |
| 8 | an der Industrie | | |
| 9 | nach Beschäftigten | 13 1,7 vH | 1,3 vH |
| 10 | nach industr. Warenpro- duktion bzw. Umsatz | rd. 1,0 vH | 1,0 vH |
| 11 | am Gesamtexport | 5,6 vH | 1,8 vH |

12

Key: 1--Number of employees; 2--Industrial commodity output or production; 3--Including: Cutting machines; 4--Shaping machines; 5--Number of enterprises; 6--Export share; 7--Share of machine-tool-building; 8--Out of industry; 9--According to number of employees; 10--According to industrial commodity output or sales; 11--Out of total exports; 12--FRG; 13--About; 14--In three combines; 15--More than; Mrd--Billion; DDR--GDR; vH--Percent. Sources: "Wichtige Zahlen des deutschen Werkzeugmaschinenbaus 1980" [Important Statistics of German Machine-Tool-Building, 1980], Association of German Machine-Tool Factories (publisher); DIW estimates and calculations.

The concentration of production on a few big enterprises is an essential characteristic of GDR machine-tool-building. The export share is high in both countries, while, judging by the total export, the weight of GDR machine-tool exports of course is about three times as high as in the FRG.

International Competitiveness

The share of GDR machine-tool-building out of world output and world exports was greatly overestimated during the 1970's. Today, the generally recognized technical journal AMERICAN MACHINIST only assigns it ninth place (fifth place until 1976) and it gets sixth place for world exports (second place until 1976). This downgrading is accepted in numerous GDR publications.² Of course, the lower rating also has something to do with losses of international competitiveness in the meantime. There are two weighty factors which may have contributed to that:

Until now, the CEMA partners have been the main customers of GDR machine-tool-building but they have now expanded their production of standard machinery so far that they depend less on imports. With the exception of the Soviet Union, they simply do not have the money to buy expensive special machines.

Only top-level technologies can be sold in the Western countries. When it comes to the application of microelectronics, particularly in the development of numerical controls, the GDR seems to have failed to catch up with Western technological developments.

Using the example of GDR exports of cutting machine-tools (1980 volume almost 2 billion valuta marks), we can clearly see the one-sided orientation of machine-tool exports to the Soviet Union and to the other European CEMA partners (see Table 3).

Table 3. The Most Important Customer Countries for Cutting Machine-Tools from the GDR
Export Share in Percent

| | | 1960 | 1965 | 1971 bis 1975 | 1976 bis 1980 | 1980 |
|----|-------------------------------------|------|------|---------------------|---------------------|------|
| 2 | Sowjetunion | 33,7 | 38,7 | 43,0 | 43,7 | 42,3 |
| 3 | Rumänien | 7,4 | 3,3 | 9,9 | 12,9 | 12,0 |
| 4 | Tschechoslowakei | 13,3 | 11,3 | 8,0 | 10,3 | 8,1 |
| 5 | Bulgarien | 2,0 | 2,2 | 3,7 | 5,0 | 6,5 |
| 6 | Polen | 5,1 | 16,4 | 9,1 | 8,4 | 4,0 |
| 7 | Jugoslawien | 1,3 | 1,2 | 2,1 | 2,3 | 2,3 |
| 8 | Bundesrepublik Deutschland | 9,8 | 5,6 | 3,7 | 2,1 | 2,3 |
| 9 | Frankreich | 0,6 | 1,4 | 1,4 | 0,9 | 1,6 |
| 10 | Italien | 0,5 | 0,0 | 0,9 | 1,0 | 1,6 |
| 11 | Ungarn | 6,9 | 3,6 | 2,1 | 2,0 | 1,4 |
| 12 | Großbritannien | 0,8 | 0,9 | 1,6 | 1,2 | 0,9 |
| 13 | Österreich | 1,3 | 0,9 | 0,5 | 0,5 | 0,8 |
| 14 | Summe der ausge- wiesenen Länder | 82,7 | 85,5 | 86,0 | 90,3 | 83,8 |
| 15 | dar.: 6 RGW-Länder | 68,4 | 75,5 | 75,8 | 82,3 | 74,3 |
| 16 | 5 westliche Indu- strieländer | 13,0 | 8,8 | 8,1 | 5,7 | 7,2 |

Key: (1) 5-year average; 2--Soviet Union; 3--Romania; 4--Czechoslovakia; 5--Bulgaria; 6--Poland; 7--Yugoslavia; 8--FRG; 9--France; 10--Italy; 11--Hungary; 12--Great Britain; 13--Austria; 14--Sum of countries shown; 15--Including six CEMA countries; 16--Five western industrial countries; bis--To.
Sources: Statistical yearbooks of the GDR.

Almost every other exported machine-tool--cutting machine-tools and shaping equipment together--was shipped to the Soviet Union in 1980. The European CEMA partners took 74 percent of GDR machine-tool exports (1980). In contrast to the FRG, the GDR now produces only about 40-45 percent of the international machine-tool assortment. Its own imports of cutting machine-tools in 1980 came to 620 million valuta marks; that was about one quarter of its output and barely one third of its exports. Imports were also concentrated on the

CEMA partners with 70 percent. Bulgaria, Poland, Romania, the Soviet Union, Czechoslovakia, and Hungary increased their machine-tool output in 1960-1980 from 267,000 to 410,000 units; they are obviously in a position to supply the GDR with standard machines. Among the Western industrial countries, the FRG with a figure 11.4 percent of the total GDR machine-tool imports (calculated according GDR statistics), took a very much larger share than in the case of the documented export figures (2.3 percent)³.

In 1980, the GDR shared in CEMA machine-tool output with 5 percent of the cutting machine-tools and 7 percent of the shaping machine-tools. Since 1970, the number of cutting standard machines produced in the GDR has gone down constantly whereas the number of special machines--which as a rule command higher prices--has constantly gone up. This is shown particularly clearly by the increase in milling machines (1980 as compared to 1970, 52 percent) (see Table 4).

Table 4. Development of Machine-Tool-Building Production in the GDR and the CEMA¹, 1970-1980

| | 1970 | 1975 | 1978 | 1979 | 1980 |
|---|--------|------------------------------------|--------|--------|--------|
| <u>A. Spanabhebende Werkzeugmaschinen</u> in 1 000 Stück | | | | | |
| DDR | 22,2 | 19,7 | 19,3 | 16,8 | 17,5 |
| RGW | 331,6 | 371,0 | 377,5 | 368,5 | 354,6 |
| | 2 | in vH des RGW | | | |
| DDR | 6,7 | 5,3 | 5,1 | 4,6 | 4,9 |
| | 3 | dar.: Fräsmaschinen in Stück | | | |
| DDR | 2 211 | 2 970 | 3 163 | 3 066 | 3 360 |
| RGW | 31 528 | 35 331 | 34 496 | 33 248 | 32 211 |
| | 2 | in vH des RGW | | | |
| DDR | 7,0 | 8,4 | 9,2 | 9,2 | 10,4 |
| | 4 | dar.: Schleifmaschinen in Stück | | | |
| DDR | 5 208 | 4 553 | 3 325 | 3 425 | 3 439 |
| RGW | 29 429 | 31 610 | 24 636 | 22 859 | 22 381 |
| | 2 | in vH des RGW | | | |
| DDR | 17,7 | 14,4 | 13,5 | 15,0 | 15,4 |
| <u>B. Umformmaschinen (Schmiedemaschinen und Pressen)</u> in Stück | | | | | |
| DDR | 5 436 | 5 308 | 5 649 | 5 979 | 6 008 |
| RGW | 66 809 | 76 511 | 81 414 | 82 072 | 83 091 |
| | 2 | in vH des RGW | | | |
| DDR | 8,1 | 6,9 | 6,9 | 7,3 | 7,2 |

Key: (1) Bulgaria, GDR, Poland, Romania, Soviet Union, Czechoslovakia, Hungary; A--Cutting machine-tools, 1,000 units; B--Shaping machines (forging machines and presses), units; 2--Percent of CEMA; 3--Including milling machines, units; 4--Including grinding machines, units; DDR--GDR; RGW--CEMA. Source: RGW-Jahrbuch [1981 CEMA Yearbook], Moscow, 1981.

Exports to the important CEMA countries (Poland, Czechoslovakia, and Hungary) have been declining since 1980; the growth and foreign-trade difficulties of these countries will presumably continue. Machine-tool exports to Western countries at this time account for less than 15 percent. Because of economic troubles in the Western countries they could be expanded hardly by cutting the price but rather only through high technological levels.

Back in 1964, the Fritz Heckert Works produced the first three numerically-controlled machine-tools (NC machines). With an export rate of 80 percent, the GDR in 1970 exported just as many NC machines as the FRG; in 1976, the figure would seem to have been more than 80 percent. The draft of the 1976-1980 Five-Year Plan Directive⁴ called for a further increase in the output of highly-productive NC machines. In 1981, the GDR--measured against FRG exports--however exported only one quarter in the form of NC machines. In the meantime, computer-integrated, storage-programmed numerical machine-tools have come to predominate in the FRG (CNC machine, FRG 1981 output share: 94.3 percent)⁵; in the GDR on the other hand the permanently-wired, connection-programmed numerical machine-tool predominates. In the autumn of 1976, the GDR decided to produce its own CNC controls and even reduced the originally planned development time by 2 years; it came out with the first prototype on schedule on the occasion of the 30th anniversary of the GDR (1979). The GDR began with the zero series by the time the FRG had already turned out more than 10,000 CNC controls. Series production was started during 1981 (see Table 5).

Table 5. Output of Numerically Controlled Machine-Tools in the GDR and in the FRG

| | | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|----|---|--|-------|-------|-------|-------|-------|-------|---------------------|
| | | <u>numerische Steuerungen (Werte) 4</u> | | | | | | | |
| 6 | DDR in Mill. Mark ¹⁾ | 28,0 | 67,6 | 76,2 | 98,5 | 123,4 | 142,9 | 166,5 | 233,3 ²⁾ |
| 7 | Bundesrepublik in Mill. DM | 88,0 | 95,7 | 120,9 | 147,7 | 182,6 | 208,0 | 288,5 | 312,9 |
| | | <u>numerisch gesteuerte Werkzeugmaschinen (Mengen) 5</u> | | | | | | | |
| 8 | Stückzahl DDR dar.: CNC-Maschinen in vH ³⁾ | 339 | 581 | 655 | 680 | 690 | 720 | 742 | 862 |
| 9 | | - | - | - | - | - | 1 | 3 | 5 |
| 10 | Stückzahl Bundesrepublik dar.: CNC-Maschinen in vH | 762 | 1 085 | 1 289 | 1 979 | 2 451 | 3 258 | 4 743 | 5 672 |
| 9 | | . | . | . | 32,9 | 73,8 | 87,4 | 87,1 | 94,3 |

Key: (1) Values at constant 1975 plan prices; (2) According to 1981 national economic plan; (3) DIW estimates; 4--Numerical control systems (values); 5--Numerically-controlled machine-tools (quantities); 6--GDR, million M (1); 7--FRG, million DM; 8--Number of units, GDR; 9--Including: CNC machines in percent (3); 10--Number of units, FRG. Sources: STATISTISCHES TASCHENBUCH DER DDR 1982 [1982 GDR Statistical Pocketbook]; statistical yearbooks and other publications of the GDR; machine-tool statistics from the Machine-Tool Technical Group in the VDMA; DIW calculations.

Price formation in the GDR is a special problem and this price formation process completely disregards the tendencies of Western markets. While prices for numerical controls over the past 12 years were cut in half in the FRG (1970 average: DM115,000; 1981: DM55,200), the already high prices in the GDR seem to have risen further. Machine-tool-building must pay such high prices for controls to its suppliers that the export profitability of the finished products suffers from that. This emerges clearly from the repeated remarks by the general managers of the machine-tool-building industry to the effect that the suppliers would have to "reduce their costs in keeping with international comparison prices."⁶ One way out would be "for technically decisive supplier shipments to build up or expand their own development and production capacities, for example, for control systems, as well as for power and safety equipment."⁷

In the FRG, there are 51 companies that offer numerical control system, including 20 foreign companies. In the GDR on the other hand there is only one manufacturer, VEB Numerik (Karl-Marx-Stadt) of the Automation Systems Building Combine with 2,500 employees.⁸ This enterprise is to quadruple its output by 1985, compared to 1980,⁹ in other words, an increase which is still somewhat greater than during the period between 1976 and 1980. The enterprise however also has plan requirements for the manufacture of robot controls and modern non-numerical controls for milling machines¹⁰ so that the supply of machine-tool-production with CNC controls for the future likewise would not seem to correspond to the international level. This is true especially since VEB Numerik in turn depends on supplier shipments, specifically, from the Robotron Combine in Dresden. In recent years, this combine obviously was not able to make microcomputers available for CNC controls; the scope of future small-computer production likewise would have to be judged rather skeptically.

The prevailing small and medium series or individual model production system (75 percent) in the GDR 10 years ago led to the development of processing centers and flexible finishing systems. Western observers some time ago noted that the GDR together with Japan and the United States reached a technological level which is still above the level of the FRG. In the meantime however there has been confirmation of the assumption expressed at that time to the effect that the GDR was unable to exploit this lead. Once again there was the break between research and transfer into production which is so typical of planned economies. The Machine-Tool Institute (1,600 employees) achieved considerable research results with the help of government financing but these results again came to naught because of problems connected with transfer to production and in connection with sales likewise.¹¹ They did not get beyond the production of prototypes. Processing centers are only now beginning to play a role in GDR foreign trade. Flexible finishing systems were obviously planned and set up exclusively for domestic industry since 1972-1973.

According to GDR data, 50-70 percent of the capacity of cutting machine tools are based on the type and quality of the cutting material. Because the Schmalkalden Machine-Tool Combine--also in the opinion of the economic management--is very much less efficient than the machine-tool enterprises, the GDR is able to maintain the international competitiveness of its machines only by importing tools.

There is another situation which also impairs the international competitiveness of GDR machine-tool-building. The machines on the average are too heavy; to some extent they still are "overweight" by as much as 50 percent.¹² The car body presses of the Umformtechnik Combine which are produced on the basis of Western patents and which are made with the modern box construction method, would seem to be most likely to meet international demand. But only very few of these machines are available for domestic production; more than 90 percent of them are exported and they are in use along the Kama [River], in the Moskvich Plant, at Skoda and Dacia, and at VW and Citroen.

Significance of Machine-Tool-Building for Domestic Industry

It has been demanded for a long time in the GDR that processing requiring intensive cutting be reduced and that shaping processes be expanded. On an international average, shaping machine-tools and cutting machine-tools are produced at a ratio of 1:2. In GDR machine-tool-building this ratio--judging by the output value--is 1:3; moreover, the output from shaping processes is intended mostly (90 percent) for export. In the GDR, the ratio between shaping and cutting--measured in terms of the time expenditure--is still 1:5.¹³ The metalworking industry uses about 280,000 cutting machine-tools and 18,500 presses,¹⁴ including 2,000 numerically controlled machine-tools (FRG: 25,000). By 1985, this machine-tool-building effort will be able to make only very few machines available to the national economy; this is why the existing machine-tool inventory is to be modernized by supplying specific structural components, subsystems, and controls.¹⁵ Moreover, machine-tool-building is to support the manufacture of rationalization equipment in the enterprises of the metalworking industry¹⁶ and for this purpose it is to deliver robot and handling equipment on a large scale. In contrast to the narrower definition in Western industrial countries, industrial robot equipment according to the GDR categorization criteria encompasses all automation aids which are used for independent handling of work pieces, tools, and materials¹⁷ (see Table 6).

Table 6. GDR Industrial Robot and Handling Equipment Inventory, Units

| | | 1980 | 1981 | 1985 |
|---|---|-------|--------|---------------------|
| 4 | Bestand | 3 000 | 13 000 | 45 000 |
| 5 | dar.: Eigenbau der Kombinate | 2 700 | 12 300 | 37 500 |
| 6 | dar.: Schweißroboter ¹⁾ | . | . | 5 000 |
| 7 | Gelenkroboter ²⁾ | 100 | 500 | 3 500 |
| 8 | Handhabungstechnik aus dem Werkzeugmaschinenbau | 40 | 540 | 8 000 ³⁾ |

Key: (1) To be included in in-house production because the manufacturer (Central Institute for Welding Technology, Halle) delivers assembly building block sets; (2) Manufacturer: Central Institute of Metallurgy (1985: 2,000), Robotron (1985: 500), and Marzahn Machine-Tool Factory (1985: 1,000); (3) Including 3,500 to be counted under the heading of in-house construction because they are used in the machine-tool-building process itself; 4--Inventory; 5--Including in-house construction by combines; 6--Including welding robots (1); 7--Articulated robots (2); 8--Handling equipment from the machine-tool-building sector. Sources: GDR publications; DIW calculations and estimates.

Guenter Mittag recently spelled out the new investment policy course: "We thus have good reason to put an end to all of the remnants of an ideology which starts with the idea that any progress in productivity requires new investments and at the same time calls for taking so-called obsolete capital goods out of the inventory. Such an ideology opens the gates wide for wasting national assets...Automation...is increasingly taking place through the integration of old machines and equipment into complex automation by adding corresponding control, automation, and feeder equipment."¹⁸

In the practice of machine-tool-building, the ideology, thus reprimanded, however seems to be present not only in "remnants." The GDR machine-tool industry considers the modernization of existing equipment at best to be an emergency solution. At the spring 1982 Leipzig International Metalworking Congress, engineers and leading scientists even doubted the success of such "piggyback" solutions: "We know from the lessons learned since the introduction of NC equipment about a decade and a half ago that a subsequent adaptation and equipment of existing machines cannot achieve working solutions."¹⁹

The following arguments were presented, among others:

Old machines reveal differences in operation which are due to the design and those differences are by far too great; they therefore cannot be automated;

Conventional machines are not really suitable for charging with material and for the removal of used material; the operating spaces do not permit the use of robots for safety-engineering reasons;

The way the machines are set up as a rule does not make it possible for one robot to supply several machines; the profitability of robot utilization

declines; besides, there is no room for transportation systems and for the feeding of the required work pieces.

From the viewpoint of the machine-building industry, one must also add the demands being placed on production and research capacities. The emphasis here is clearly on complex machine systems and processing centers.

The conflict between these arguments and the interests of engineers and managers, on the one hand, and the goals of the economic leadership, on the other hand, is certainly based on the natural dispute between engineers and economists: the technically best solution is not always economically justifiable for reasons of cost. In the case of the GDR, we must add the fact that the economic leadership is currently forced to view further planning more than ever before from the angle of limited resources. This is obviously not yet the case with the enterprises. In this situation, the GDR machine-tool-building industry faces the question as to whether it could not close a gap in the market by building equipment for subsequent addition to existing machines, that is, modern control systems and handling apparatus. This of course presupposes that the transfer of modern technical control concepts into production can be achieved successfully in medium-range terms at justifiable prices and in adequate quantities. Sales possibilities for such products can be recognized at least in the CEMA countries and in developing countries with little capital.

FOOTNOTES

1. See J. Roesler, "Machine-Tool-Building and Socialist Industrialization in the GDR," JAHRBUCH FUER WIRTSCHAFTSGESCHICHTE [Economic History Yearbook], IV, 1980, pp 7 ff.
2. See, for example, R. Greuner, "Tendencies in Machine-Tool-Building," DIE WIRTSCHAFT [The Economy], 10 November 1977, p 25; "Welt-Werkzeugmaschinenstatistik 1981" [International Machine-Tool Statistics, 1981], Association of German Machine-Tool Factories, Incorporated (publisher); machine-tool branch report in "Presse-Informationen zur Leipziger Fruehjahrsmesse 1982" [Press Information on the 1982 Leipzig Spring Fair], p 3; "GDR Industry Demonstrates its Increased Capacity," NEUES DEUTSCHLAND [New Germany], 15 March 1982, p 3.
3. If we measure inner-German trade by the foreign trade of the FRG, then the deliveries of the FRG in 1980 would amount to about 1.6 percent of the exports and the purchases would amount to about 2.8 percent of the imports of machine-tools.
4. See DIE WIRTSCHAFT, Supplement 1, 16 January 1976, p 20.
5. "Statistische Zahlen aus dem Werkzeugmaschinenbau 1980 und 1981" [Statistical Data from Machine-Tool-Building, 1980 and 1981], Machine-Tool Technical Group in the VDMA, publisher, in print.

6. See H. Kroker, "What Does It Mean to Use Technical Progress Economically?" NEUES DEUTSCHLAND, 5 February 1980, p 3.
7. Id., "Effectiveness Gain Through High Product Level," EINHEIT, No 4, 1982, p 381, and M. Wenzel, "On the Political-Ideological Management of Scientific-Technical Progress," WIRTSCHAFTSWISSENSCHAFT [Economics], No 6, 1982, pp 911 ff.
8. See also in this connection and in connection with the following subject matter: "The Electrotechnical Industry in the GDR," edited by Cord Schwartau, WOCHENBERICHT DES DIW, No 42, 1981, especially p 478.
9. See the Law on the Five-Year Plan for the Development of the GDR National Economy, 1981-1985, dated 3 December 1981, GBL. DER DDR [Legal Gazette of the GDR], Part I, 1981, p 411.
10. Monthly output: 140 units; see M. Pohl, "For Us, This Is a Matter of Honor: We Consistently Pursue the Highest Standards," FREIE PRESSE, 3 November 1981, p 3.
11. See, for example, "Flexible Finishing Systems, a Challenge to Industry," DIEBOLD MANAGEMENT REPORT, August-September 1980, pp 1 ff.
12. J. Eckert, "Little Bulk--High Output," TRIBUNE, 21 June 1982, p 3.
13. See F. Neuberger, "Three Decades in the Service of Shaping Technology," FERTIGUNGSTECHNIK UND BETRIEB [Finishing Technique and Plant], No 10, 1979, p 586.
14. W. Simon, "Intensification of Cutting Methods--A Main Factor in the Output Increase in Parts Manufacture," FERTIGUNGSTECHNIK UND BETRIEB, No 3, 1981, p 134.
15. For example, 4,500 presses are to be equipped with microelectronic controls and robot accessories. See W. Florath, "Invest How Much and What For?" WELTBUEHNE [World Stage], No 13, 1982, pp 39 ff.
16. "Rationalization Workshop--Minister Dr. Rudi Georgi Answers Questions on the Plan," BERLINER ZEITUNG, 10 January 1982. The increase in rationalization equipment construction and the use of prefabricated structural components and subsystems was demanded already by Walter Ulbricht: "This is why enterprises should be designated for the industry branches which will responsibly take over the development and production of specific branch-oriented automation equipment, using standardized structural components and subsystems. In-house development and production of specific branch-oriented automation equipment must be organized in the combines and product groups." Walter Ulbricht, "Social Development in the GDR Up to the Completion of Socialism," NEUES DEUTSCHLAND, 18 April 1967, pp 7 ff.
17. See also "The Not Entirely Successful Start of the New Five-Year Plan," edited by Doris Cornelsen, WOCHENBERICHTE DES DIW, No 31, 1981, p 365,

and G. Spur, editor, "Industrieroboter" [Industrial Robots], Munich, especially pp 16 ff.

18. G. Mittag, "Great Output Increase for the Further Strengthening of our Republic," EINHEIT, No 5, 1982, p 474.
19. See A. Russig, R. Piegert, H. Wilke, "Lessons Learned and Ways for Finishing Processes Requiring Little Attendance and Surveillance," lecture at the March 1982 Leipzig International Metal Working Congress, reproduced as manuscript.

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CSO: 2300/361

TREND OF EXTERNAL ECONOMIC RELATIONS, DEVELOPMENT TASKS NOTED

Budapest TARSADALMI SZEMLE in Hungarian No 7 Jul 82 pp 3-11

[Article by Bela Szikszay: "Development of External Relations, Development Tasks"*]

[Text] For the second time in 5 years the Central Committee of our party has put on the agenda the main problems of our external relations. At its 23 June session, it analyzed the development and problems of our international economic relations, the situation that developed in the 1970's, and it decided on the tasks for its development and its main directions for the coming years. It passed an earlier resolution in October 1977 entitled "Long-term Foreign Economic Policy and the Development of the Production Structure." This durable document which defined the long-term directions of action complexly evaluated the situation of the economy, and emphasized the quality requirements of economic development and management on the basis of the well-known conditions, as forecast, of our economic development at that time. It was a direct antecedent, pointing in a long-term perspective, of the economic political direction decided on in December 1978, affirmed by the 12th Congress, and implemented since 1979.

Long-term resolutions, however, must be faced from time to time with practical experience and must be amended by tasks required by new developments which have come into being in the meantime, or which are expected. All this represents the necessary bases for an action program over the shorter run and for working out the tasks in greater detail. This role is fulfilled by the most recent resolution of the Central Committee.

The 20 October 1977 resolution of the Central Committee reflected our knowledge at the time about world economic processes, the effects they exercised on our economic development, and the main tasks of our adjustment to the altered circumstances. In respect to several problems, however, (for example, the rate of economic growth and the creation of a financial balance), it had more optimistic assumptions than were justified in the light of subsequent world economic developments. It did not count, and it could not, on a number of

*Prepared on basis of the 23 June 1982 resolution of the MSZMP Central Committee and the talk by Ferenc Havasi.

changes which occurred in recent years, and their effects (for example, the standstill in the detente process, the second oil-price explosion and its consequences). All in all, it may be said that the world economic background of our development has changed considerably and placed on us substantially stricter conditions and higher requirements. At the same time, our adaptation to the external economy and to market relations determines our economic development more than ever before. All this requires that we analyze the development of our external economic relations, draw the appropriate lessons and rethink our situation and tasks.

Our External Economic Relations Between 1970 and 1981

In the 1970's, our foreign trade developed dynamically and rose by about 3.5 times. Over a 10-year average, the volume of Hungarian foreign trade expanded annually on an average by 6.8 percent, surpassing the development rate of world trade. This included a more rapid (8.6 percent) rate of growth in exports and a slower (5.6 percent) rate in imports. Our exports make up about 40 percent of the gross domestic product (in 1970 this was 32 percent), and in this respect our country is one of the most "open" economies in Europe. Foreign trade per inhabitant comes at present to more than \$1,500; this is considerably less than, for example Austria, where this ratio exceeds \$4,000; but it is more than that in many countries with a similar state of development, including most of the socialist countries.

The development in trade according to main categories of countries changed somewhat over the decade. The share of the socialist countries in our exports and imports decreased by several percent (the ratio of decline in socialist imports was somewhat greater than exports in that trade relation), but it continues to have a determining role in our international economic relations. The share of foreign trade with the Soviet Union in socialist trade as a whole approximates 60 percent, and one-third in total trade.

Despite our intensive linking into international work distribution, our share in world trade does not come to 1 percent; it is true that our share in the world's population and in world production is even smaller (one-fourth and one-half percent respectively). We have a much greater share, however, of the world trade in certain products than average. We sell 2.4 percent of the world's meat exports, 6 percent of its apple exports, and we also have an important place in high technology industrial items in world trade: 3 percent in the world export of pharmaceuticals, and more than 10 percent in the export of buses. Our exports of agricultural machinery, medical equipment, communication and vacuum technology means, aluminum industry products and shoes make up more than 1 percent of world trade. Almost one-fourth of industrial production, including machine industry production, is sold on foreign markets. All this indicates that in the course of socialist development, centers of gravity essentially developed, or could be developed, and product groups became prominent with which we can successfully link into international work distribution. Exports are of decisive importance in shaping production structure.

It follows from all this that for us participation in international work distribution is not a supplement but one of the determinants and driving forces of economic development. This is particularly obvious in the present situation when the rate of economic growth depends primarily on export expansion, the foreign-exchange earnings capability of our economy, and through this a possible expansion of imports.

The subbranch structure of our production is reflected in our ruble-account exports; in this trade relation, the industrial share is high, including machine industry products. At the same time, dollar-account exports still do not adequately reflect the ratios of production: materials for further processing and for semifinished products share in 30 to 40 percent of our exports, items of agricultural origin in one-third, but the ratio of machinery and investment goods scarcely comes to 15 percent (in fact machine exports to developed capitalist countries are only between 11 to 12 percent). Most of our exports to nonsocialist markets are in the medium range of quality categories, and a significant share are low processing-state, material-type products that are very vulnerable to cyclical fluctuations.

World Economic Changes and Our Economic Political Reaction

Our economy developed dynamically in the beginning of the 1970's and approximately in a balanced way. On an annual average, national income increased 6 percent, it approximated the average economic growth rate of the CEMA countries, and exceeded that of the developed capitalist countries. The dynamic economic development--amid consolidated foreign market relations--was accompanied by an expansion of foreign trade considerably exceeding economic growth.

We conducted the greater part of our foreign trade with socialist, chiefly CEMA, countries. The necessary materials and energy could be acquired from CEMA countries in adequate volume and at favorable prices, and the countries of the socialist community represented a large and stable market for our processing industry and agricultural products. The role of the capitalist countries grew rapidly in our foreign trade, chiefly in the import of machinery for production modernization, materials and semifinished products. In both trade relations, export and import was in essential balance. The ratio of exports exceeds 30 percent of final consumption.

In response to the economic management reform, favorable external and internal circumstances, encouraging signs and in fact initial successes were evident: it seemed that the conversion to dynamic economic growth and to intensive development could be realized together.

But starting in 1973-1974, radical, recurrent and rapid changes occurred in the world economy. The price ratios for basic materials and finished products changed substantially in world trade; processing industry items satisfying average demand were depreciated while products representing a developed technological level became, or remained, sought after even at high prices, as well as means and equipment resulting in rational energy consumption. A large-scale fluctuation in supply and demand became constant; a large-scale

fluctuation of prices accompanied the average price-level increase. The financial difficulties of the capitalist world were intensified, the interest level rose strongly, and in recent years the number of countries struggling with liquidity problems, indebtedness or that were forced into refinancing credit payments increased significantly. The role of international financial organs was strengthened greatly in meeting credit demands.

All these things substantially altered the conditions of economic development for certain countries and regions, reevaluated the economic achievements of certain national economies--including ours--and stimulated governments and enterprises to action. Our reaction in economic policy and economic management to changes in the world economic situation differed substantially in the period 1979-1981 as against the period 1974-1978.

a) Between 1974 and 1975 we recognized only partly the enormous influence on our economy of the altered world economic situation and the economic policy tasks deriving from these. Our economic policy reflected, to be sure, the assumption that for us the more unfavorable foreign economic conditions would continue to exist, but it also reckoned that the extent of the deterioration in the terms of trade was temporary, and that losses would not increase but decrease. It was on this that the economic policy goal was founded that we must adjust to the altered circumstances along with the same or similar rapid growth as had occurred thus far, and that we must raise living standards to the extent formerly planned. Given the developed organization of production and the level of economic efficiency that was attained, this goal could not be realized, and led to significant deterioration in our foreign economic equilibrium situation.

The Fifth Five-Year Plan called for a relatively high economic rate of growth, and at the same time set as a goal a significant improvement in the quality factors of development, that is to say, the fulfillment of stepped-up economic policy requirements (increased economic efficiency, improvement of the production structure, cutting back of domestic consumption, and the creation of an equilibrium). But between 1976 and 1978 all these things were not consistently realized. A role was played in this by the fact that enterprise management practice assured to an unjustifiable extent the stability of enterprise management, operated with excessively individual means and also used plan directive elements. Increased economic efficiency, therefore, and the transformation of the production structure developed considerably more slowly than expected. The deliberately maintained and relatively fast rate of economic growth, the dynamic increase in domestic consumption (chiefly investments) led to a rapid increase in imports (primarily capitalist imports), and with this the development of export capability was not able to keep pace. By the end of 1978, the external balance of the economy had become so unfavorable that it was endangering a smooth process of development. Instead of a gradual reduction of the planned consumption of foreign sources, there was an accumulation of indebtedness to capitalist sources that increased steadily.

b) From the economic policy point of view, the 1979-1981 period differs substantially from the earlier period. In harmony with the stability of the

main political lines and the basic principles of the MSZMP, the long-term goals of our economic policy did not change. The substantial change in the foreign economic conditions, however, modified the priorities of our economic policy. The main goal of economic policy became the restoration of the foreign economic balance and the protection of living standards for the population. The main means for the attainment of the goals continued to be increased economic efficiency and the improvement of the production structure and export capability. The essential change is that our economic policy realizes in practice, too, an economic growth and domestic consumption depending on the development of these quality factors (in general, at a lower rate and more differentiated than formerly), and places great emphasis on the operation of an economic management which effectively promotes the attainment of economic-political goals.

The realization of the economic-policy line of direction worked out for the present development phase and approved by the 12th Congress is proceeding successfully. In the nonruble-account foreign trade for 1981-1982 a situation close to equilibrium has developed despite external conditions that keep deteriorating steadily and are worse than anticipated. The economic-policy goal for protecting living standards has also been realized. However, we have attained a reduction in the rate of indebtedness to capitalist sources by strongly limiting domestic consumption.

The basic principles of economic reform are being realized more and more strongly in our economic management practice. The national economic plans are more realistic and more flexible. Their role in raising the requirement of the price and regulator system and in mediating international changes by incentive and compulsion has become stronger. Central economic management is more active and consistent, and the enterprises have become more sensitive to the modification of economic conditions. The organization systems of management, production and foreign trade have developed.

The foreign economic situation of the Hungarian economy is complicated and difficult despite the substantial improvement in the external equilibrium. Our country's dependence on international work distribution and at the same time the dependence of our economic development on world economic processes have objectively increased in the past decade. At the same time, world economic conditions have changed radically and are continuously deteriorating. In this situation, we need a substantial increase in economic achievements, and improvement in the ability to compete internationally in order to maintain distribution levels.

Overall, our practical adaptation to world economic conditions has been late. We recognized relatively in time the permanence of the change in foreign economic conditions, but we underestimated the weight of the change and the further deterioration of conditions. We were not late in recognizing the direction of the tasks, but we were late in carrying these out consistently and on time. We overestimated adaptation capability: we assumed that the discovery of our reserves latent in management and the advantageous change of the production structure would be easier to carry out than actually proved to be the case. We were also late in drawing practical deductions about

distribution relations. Consumption and accumulation continued to rise (even more than production in a given year) when the world market was significantly devaluing our achievements, or we were suffering price losses, and the achievement, material bases were lacking for the growth of domestic consumption. The discovery of these matters and the analysis of the causes are of great practical importance. It forms and provides lessons for our future behavior.

We cannot count on a happy turn in the external conditions of our economic development in the coming years. The requirements are not declining in a single important trade relation, in fact we have to prepare ourselves for their being made more strict. From the development of our foreign economic relations, the evaluation of our reactions and our situation, and the expected development of world economic conditions, we can expect several important economic-political consequences for the future.

--Our economic growth, the development of living standards, and our whole economic development, mainly its quality, depends in the decade facing us on how we can increase the adaptability of our economy to international circumstances and requirements, and to what extent we can increase exports by adjusting to profitable, foreign-market demands. We must put our economic policy and our management system more consistently than heretofore in the service of fulfilling this requirement.

--The creation and consolidation of a foreign economic equilibrium remains an outstandingly important goal for our economic policy over the long run, but particularly in the coming years.

--We must make great and effective efforts at stabilizing our international economic positions and strengthening our place in the world economy. We must conduct policy in which the size, composition and changes in production will clearly be guided by demand, including adaptation to foreign-market demands.

--In order to create and stabilize an economic equilibrium, we must in the near future see to it that the center of gravity of our efforts is transposed from the sphere of distribution to production, and management and their substantial improvement. An important lesson of our analyses of the past decade is that the disequilibrium in the Hungarian economy was caused in the end by the combined effect of two factors: we are using an unjustifiably great amount of materials, means, work and imports for production and creation of the national income (which at the same time means than even if we were able to do otherwise, acceleration of growth under the present structure would merely increase the disequilibrium); we do not have an adequate, profitable, competitive export capacity to satisfy the import demands of a dynamic development. The consequences of these things have been eased by the compulsory moderation of economic growth. We must know, however, that by creating an equilibrium like this we have achieved only a temporary and relative success. A permanent and stable equilibrium can be brought about only by the elimination of the causes of the disequilibrium. In fact, for the stabilization of the living standard we need greater achievement, more disciplined work, better quality products, and much better use of materials, energy and working time.

To develop our foreign economic relations, we have many tasks to accomplish. Among these, it is of outstanding importance that we exactly define our efforts and our economic management system in a complex way.

Our Efforts in the Main Foreign Economic Relations

In our foreign economic strategy, according to our economic interests and political obligations, a determining role is played by our economic relations with the socialist countries and our membership in CEMA. The community of socialist countries has been adversely affected by world economic changes, and the rate of development for our economic cooperation has slowed down. It is our basic interest, joint and individual, to stop this trend with our united efforts and to raise cooperation to a higher level. Despite the situation that has developed, our economic cooperation has played a stabilizing role in our economic development, and without it our losses deriving from the world economic changes would have been much greater. The cooperation of the socialist countries is a factor of increasing importance in our economic development.

It is an important interest of ours, and we are striving for this to the limits of our possibilities, that the cooperation of the CEMA countries--on the basis of mutual advantages and interest and by taking into account the endowments of the individual countries and their economic possibilities--should promote the balanced and proportional development of the member countries, the increased efficiency of management; and should discover additional resources for economic growth, the speeding up of technical progress, the modernization of the production structure, and thereby an improvement in the world-market situation of our countries and their marketing possibilities. Moreover, we must devote special attention to Hungarian-Soviet economic cooperation. Under conditions that are growing more difficult, the Soviet Union remains the most important base for acquiring many important materials and products and the main market for placing the goods of our processing industry.

In developing bilateral and multilateral cooperation with the CEMA countries, it is an especially important task for the 1980's to arrive at a long-term solution for a secure supply of fuels, energy and raw materials.

On the basis of mutual interests, cooperation in the processing industry must serve more successfully than up to now the modernization of the production structure. The further broadening of production cooperation requires the more integrated union of producer enterprises and associations. In various processing industry subbranches, it is necessary to move ahead in the field of coordinating the called-for developments, the harmonization of license, know-how and equipment purchases, and the mutual expansion of spare-parts supplies.

In the food economy, our main effort is to develop permanent cooperation relations over the long run. The growth of the means intensiveness of agricultural production and the necessity of increasing deliveries among one another not only makes the expansion of production necessary but also requires

the development of a conditions system, price and value relations giving better incentive to CEMA relation exports.

The smooth conduct of international deliveries makes it necessary that we coordinate with our CEMA partners the expansion of supply capacities, and the mutual development of border stations and the reloading and pass-through capability of the connecting trunk lines. To keep railroads from being overburdened requires the development of water transportation, and as a part of this the increased use of the harbors of the socialist countries.

With the domestic development of scientific research and management, we also wish to help, with the improvement of international coordination, the CEMA countries to rely more than up to now on their scientific-technical potential and to make it possible for this enormous research base to concentrate its work better on the strategically more important areas of technical development. We can and must improve and speed up the mutual flow of information on technical results, and place research, license and know-how transfer on an interest basis.

In accordance with the goals set in the Complex Program, we must move ahead in improving the major elements of the international mechanism for economic cooperation. We regard consultation in the future also as the characteristic form of economic political coordination. It is advisable, however, to coordinate certain elements--primarily those influencing our economic cooperation--of economic policy more closely and for the interested countries to develop a common position in mutually coordinated questions. It is necessary to organize systematic information and experience exchange about the economic mechanisms in a way that will promote an understanding of economic management and managing methods, and solutions which have proved successful in certain socialist countries.

A more intensive exploitation of the reserves latent in the initiatives of economic organizations makes it necessary to expand direct relations between the producer cooperatives and the research and development institutes.

Strengthening of delivery discipline requires the working out and introduction of such new regulations as will penalize contract violations more strictly than before and in addition will assure full indemnity for damages caused by unfulfilled deliveries.

In respect to the foreign-trade price system, it is in our interest to make practical use of foreign-trade price formation that is based on the capitalist world market price base and moderates monopolistic and other distortions, guarding the unity of the price principle and its consistent realization.

The developing countries are increasingly important partners of ours. We are striving to deepen our relations on the basis of mutual advantages. Since the situation of the developing countries is considerably different, it is an important requirement that the development of our economic relations should be shaped according to commercial policy guidelines differentiated according to the more important groups of countries, and in totality should result in a considerable balance surplus.

After this, too, we are striving to expand relations with the developed capitalist countries, maintaining respect for the principle of mutual advantages and economic sovereignty. We must use all the possibilities latent in economic and international relations to moderate or eliminate the economic competitive disadvantages deriving from protectionist and discriminatory differentiation. We must develop our relations in such a way that a situation close to equilibrium will develop permanently in foreign trade.

Development of Economic Management

An increase in the achievement capability of our economy and the continuous improvement of our ability to compete internationally will make necessary the functioning of such driving forces as are capable of increasing the revenue-producing capability of our economy. The main way of doing this continues to be the expansion of exports and an increasingly more intensive participation in the processes of the world economy. However, this can be a driving impulse, a tractive force, of our entire economic development only if the requirements of the domestic market (the production structure in the field of management) approaches international market conditions and we place economic management in the service of increasing our ability to compete internationally in a more complex, coordinated and more successful way than up to now.

For the modernization of the planning system--protecting its basic principles and main features--we must work out alternatives and changes that are of wider scope and better considered. We must make the methods and index numbers used in the framework of analysis and planning more suitable for expressing the quality characteristics and differentiations of development.

We must assure that in respect to the changes in the means of regulation and their extent the state attitude can be predicted and calculated by the enterprises, and can be deduced from the change in economic-market conditions. We must strengthen the characteristic features of the price system and economic regulation so that the revenue positions of the managers will reflect actual efficiency differences, and the rate of return therefrom can be judged. From the viewpoint of the development of our foreign economic relations it is an essential condition that price should also place a high efficiency requirement on those areas where the rules of competitive price formation are not directly realized.

It is necessary to operate an auxiliary mechanism system which in the case of permanent and explosive foreign market cyclical processes assures both operational capability and the possibilities for effective solutions.

In the further development of revenue regulation, we are striving to eliminate and reduce the effect of those factors which make adjustment to market changes more difficult. It is necessary to reduce the extent and balancing effect of revenue redistribution being realized through supports. Subsidies which of necessity remain must be used to give incentive to the fulfillment of our more important economic policy goals.

The general improvement of export orientation requires a large degree of social mobility for all important factors of production. It is necessary that those enterprises which attain higher profit by more flexible adjustment to conditions and by efficient management should be able to develop more dynamically even at the cost of enterprises operating at a loss or at low efficiency. To do this, an appropriate capital flow and development system must be worked out and operated, consciously reducing the still existing sectorial limits that restrain its development. We must strengthen the nature of enterprise entrepreneur work in the whole area of the economy. The conditions for doing this (enterprise independence and internal sources) must be worked out and created.

Several Political Tasks

In the coming years, the political support for the development of foreign economic relations will be an outstandingly important area for assistance and control activity in the economic work of party organizations. Together with the social organizations, above all the trade unions and the youth federations, we must work to have all the people understand and make it their own that the rate of our development and economic growth and its substance depends decisively on the extent to which our entire economy is able to adjust in production and management to the frequently rapidly changing foreign economic conditions and to increased competitive exports adjusting to foreign market demands. Our party and social organizations must organize active support to this end.

It is the task of our party organizations to create political conditions and a constructive atmosphere everywhere so that responsible enterprise entrepreneurial activity may develop which is oriented to foreign economy and in adjustment to demand. We must also support politically the work of managers suitable for carrying out these tasks and to reward them materially and morally. We must generalize the requirement for disciplined, good-quality work and the exact fulfillment of obligations that are undertaken. Progressive initiatives, attained results and undertakings that are successful by international standards should be given appropriate publicity and recognition. We must make personnel conscious that adaptation to foreign economic conditions is accompanied not only by advantages but also by risks and perhaps by conflicts, but these must be undertaken for the sake of the cause. Humane solutions, which do not yield in meeting requirements, are economic tasks which must be supported by political means.

The tasks are also multidirectional in agitation and propaganda work. It is important that we give a picture of world economic processes that are true to reality, of the power relations concealed in the background, of the political and economic aggressiveness of imperialism, of the increasing strength of the socialist world order and progressive movements. We must also be able to show realistically to the world our socialist goals and our efforts and intentions to serve social progress.

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CSO: 2500/320

LABOR PRODUCTIVITY, MIGRATION, EMPLOYMENT PROBLEMS ANALYZED

Budapest MUNKAUGYI SZEMLE in Hungarian No 4 April 82 pp 1-5

[Article by Mrs Sandor Berenyi, PhD: "On the 1981 Development of labor Related Processes"]

[Text] The goal of the national economy's 1981 plan--in harmony with the goals of the Sixth 5-Year Plan--with respect to the labor processes is to simultaneously insure full and efficient employment, increase the efficiency of labor management and labor productivity, as well as to preserve the population's standard of living and within the framework of this, to insure last year's level of the real wages.

During the course of the year the labor related processes developed mostly according to the plan's guidelines. In labor management the favorable trends begun in previous years (for example: decrease of manpower demand, internal regrouping in accordance with changes in the product structure, efforts for more efficient utilization of manpower within the enterprise) continued also in 1981, but did not gain strength to the desired extent. As a consequence of the moderation of demand for manpower, the employment equilibrium has improved in spite of the shortage of manpower in some professions and job areas--mainly in the capital city. In general the lack of manpower caused no significant problems in the performance of production, sales and service activities. No employment difficulties of nationwide scope occurred.

For economic operating units working on the three or more shift schedule, the changeover to the 5-day work week began in the second half of 1981 and has for the most part been completed by the end of the year, implemented in accordance with the requirements contained in the resolution of the Council of Ministers.

The amount of wages paid out, and the average wage and average income increased more than had been planned, due to the combined effect of several factors--while the rise in consumer prices did in essence correspond with the plan's goals--, and thus the real wages increased by about 1.5 percent instead of the projections corresponding to last year's level.

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The Way Employment and Productivity Developed

The 1981 annual national economic plan expected a 0.4 percent (20,000 persons) decrease in employment in the socialist sector. Within this it projected a 0.8 percent (30,000 persons) decrease in the material branches, and a 1 percent increase (about 10,000 persons) in the nonmaterial branches.

In the material branches the number of persons employed decreased by the amount corresponding to the plans, in comparison with the previous year. Within this, in some branches and subbranches of the national economy the development of employment deviated from the plan to a greater or lesser extent, in some cases even in direction.

Thus, employment in the socialist industry decreased by 2.1 percent, significantly in excess of the plan. In transportation-communication in contrast with the expected 0.5 percent increase there was a 1.1 percent decrease, while in agriculture instead of a small decrease in employment there was a 2.6 percent increase (within this, a 3.5 percent increase in cooperative agriculture). In commerce, instead of a moderate increase the number of people employed remained stagnant. Corresponding closely with the plan, employment decreased in the socialist construction industry (by 3.7 percent) and increased in water management (by 0.5 percent).

However, in general these deviations are within the error limits of the calculations, and the greater differences essentially correspond to our economic management, employment, and productivity goals. Thus, industry's smaller employment than was planned is to a large extent justified by its output [also] falling short of the plan. The increase in the number of people employed in agriculture is related to the continued expansion of supplementary and sideline business activity, as well as to the increase of personnel requirements in the basic activity--due to placing emphasis on labor-intensive crops and to the unfavorable weather.

In industry the decrease of manpower is characterized by a near agreement between the decrease in the number of people employed full time and the average of the total number employed; the decrease in the number of people working less than full time is greater than that (because of the 4.2 percent decrease in the number of people doing subcontracted work at home), while the decrease in the number of retired people working is smaller. This differs from 1980 when the major portion of the decrease of employment was implemented by decreasing the number of people doing subcontract work at home, and of retired working people. (The number of their decrease was well over that of the full timers.) In 1981 this tendency was valid only for the home workers, but even here the decrease is smaller than in 1980. The decrease in the number of home workers can be traced back to the enterprises endeavoring to provide work primarily to their full time employees--in connection with the smaller than planned production increase--, and were under the given circumstances unable to supply suitable work performed in this manner, to many workers.

Similarly to 1980, it was characteristic also for 1981 that the number of nonphysical employees decreased (by 1.3 percent), though at a lesser rate than that of people doing physical work. The resolution by the Council of Ministers concerning the decrease in employment in the trusts and enterprise headquarters, as well as implementation of the regulations aimed at improving manpower management of the supervisory organs have contributed to this latter item.

In accordance with the plan, the number of employees in the nonmaterial branches increased by 10,000 persons (0.9 percent).

Overall employment in the national economy's social sector decreased by 19,500 people (0.4 percent) approximately as planned. Part of the reason for this is that there is less population within the working age limits (losses by retirement and death have exceeded the number of young people entering the work force), and fewer people keep on working past retirement age; and also, in 1981 the number of people conducting independent activities and the number employed by them continued to increase in 1981.

In accordance with our economic policy goals, restructuring continued in 1981 within the socialist sector, the number and ratio of employees in the material branches decreased to the gain of the nonmaterial ones.

The change in manpower structure favorably affected the efficiency of manpower utilization. Productivity measured on the basis of gross production value (at unchanged prices) per employee increased as planned by 4.5 percent in the socialist industry--after stagnation in 1980--, in spite of the fact that the increase in production (2.3 percent) did not reach the planned extent.

Employment decreased in all branches of industry, but there are significant differences between the branches in its extent. Except for mining and metallurgy, production exceeded the 1980 level in all industrial branches.

The larger than planned employment decrease is in harmony in most branches with the way production developed (production does not reach the projected level, and the decrease in employment also exceeds the plan). The employment situation in the area of operation had a significant effect on the way employment developed in the individual branches (what manpower resources are available in the region where the enterprises operate), as did the wage regulation format in effect for the given branch (the wage mass regulation creates an interest for not replacing employees who quit, or at least some of them).

In the actual construction industry the decrease of production (2.6 percent) is significantly greater than had been planned (0.4 percent), and thus productivity--lagging behind the value in the calculation material of the national economic plan--exceeded the previous year's value only slightly (by 1.1 percent). The fact that the demands on the construction industry have changed as a consequence of the investment cutbacks (primarily by the state), plays a role in this; modification of the structure of their

activity has begun, in accordance with the expectations. The ratio of maintenance, renewal and expansion projects increased in conformance with the changed needs (even though this does not yet reach the desired level). Parallel with this, the job locations have become geographically more scattered, and are located far from each other; the jobs are of shorter duration necessitating more frequent moves. All this makes the activity more labor intensive and has an unfavorable effect on the way the productivity index develops.

At the same time several technical and technological developments have taken place recently in the construction industry (for example, introduction of the application of modern construction technologies; investments were made in construction industrial machinery; modernization of transportation and material handling; etc), which decreased the activity's live labor requirements and thus made it possible to make additional manpower available [elsewhere].

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Manpower Migration

Manpower migration has gained momentum in 1981--after the decrease seen in the previous year. These factors affected the increased migration of manpower: lifting the requirement of mandatory use of the placement service and lifting the ban on advertising; elimination of the 3-year minimum on the first job for people in their first jobs; creation of new economic organizations--primarily units operated under contract; increase in the number of people conducting independent activities; implementation of the resolution by the Council of Ministers concerning decreasing the nonphysical employment (in trusts and enterprise headquarters), and the reorganizations implemented in connection with modernizing the national government; and also increased employment in the auxiliary and side business branches of the cooperatives. An important change is that employers have become more demanding about the quality of manpower. This is proven by the fact that undisciplined employees found it increasingly difficult to get a job. More and more enterprises are refusing to hire those who often change jobs, generally even if they would need the manpower, and it is also an increasingly universal phenomenon that they try to get rid of undisciplined workers already on the payroll (the number of employment relationships terminated at the initiative of the enterprise is continuously increasing), even if they can not immediately replace them with suitable new personnel. Under these circumstances the workers also give more thought to their intention to quit. Besides this, the enterprises are also trying to give more financial and moral recognition to good quality manpower--who play important roles in their basic activities--, which increases the incentive for these workers to stay on the job.

The manpower structure suitable for the purposes of the national economy, or one approximating it, was implemented primarily by the relocation and regrouping of the workers based on their individual initiatives, and by

demographic exchange (natural manpower migration). The planned release of manpower in harmony with the changed (decreased) tasks, and its regrouping among the enterprises continued on in not becoming a significant factor of manpower migration because modification of the production structure in such a direction and to such an extent which would have made this necessary, did not occur.

The enterprises made an effort to secure the manpower needed to handle the new tasks resulting from the modification of their product structures, primarily by reassigning the existing work force, by retraining and advanced training as necessary, rather than from external sources. In many cases they also supplied from internal regrouping the manpower needed to operate new facilities, by implementing manpower saving organizational measures or by shutting down unprofitably operating units (in some areas they were forced to do this because this was the only way to secure the manpower needed to operate the new investment; they could not obtain it from other--external--sources).

In past years, changing employers was much more frequent among trained workers and helpers than among tradesmen. But recently--primarily in industry and in the construction industry--the ratio of tradesmen increased among those who quit; some of them accept work in agriculture. This is because the increasing use of modern techniques, increased mechanization and the use of chemicals, and also the expansion of those--in many cases auxiliary--activities the goal of which is further processing of the product, the production of packaging materials and spare parts for this requires more and more industrial and construction industrial tradesmen.

When changing employment, in many cases the primary viewpoint is not the higher wage obtainable but rather that a significant part of the people leaving industry and the construction industry accept jobs closer to home, thus avoiding the need to commute, and to work far away from home (fewer and fewer workers are willing to do this). In addition to this the character of agricultural work and the working conditions have also changed, the ratio of mechanized jobs requiring trade training has increased, which is also attractive to the young people and if they can find suitable work near home, they would rather accept this job than commute.

In 1981, in the interest of promoting more rational manpower management while conforming to the changing manpower situation, it is no longer mandatory to use the employment referral service--apart from certain exceptions (the councils may tie the filling of certain jobs to mandatory use of the referral service--for example, in the interest of protecting those with impaired working ability [i.e., the handicapped] even in the future. The employers as well as the workers were glad to accept this measure. Due to its effect the administrative work load has decreased at the referral organs, and the number of workers coming to their offices has greatly decreased (it was less than 50 percent of the previous year's figure). This is the result of the fact that a significant portion of the people changing employers and of those joining the work force for the first time came to the referral organs in the past only because they were required to do so. The number of

vacant jobs reported by employers to the referral organs has also decreased, but only to a smaller extent than of the number of workers reporting to the offices. Employers asked the referral organs primarily for referrals of physical workers, and to a lesser extent administrative and management employees. In general, they did not look to the referral organs for employees with high level education, and workers with such education also reported to their offices in only very small numbers. The reason for this is that people with high level education seeking jobs prefer to locate through direct contacts, and the employers also prefer the personal recommendation.

With the elimination of mandatory job referral, basically the new referral methods have not developed yet--partly because of the shortness of the elapsed time. But the significant decrease in the number of people coming in for jobs has made it possible to work more closely with them, and the development of a service-type referral system has begun.

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The Manpower Situation, Employment

The demand for manpower continued to decrease in 1981, which in essence is the consequence of the processes which began to develop in the late 1970's. The decisive factor is that the rate of economic growth continues to be moderate. In addition to this, the increased demands placed on the enterprises, the use of wage mass regulation as the basic format, and the measures of the directing organs all affect the moderation of manpower demand. The mandated work force cutback in nonproductive areas, making employment at the expense of free time more flexible, working out supplemental methodologies to serve the determination of manpower requirements, or having these worked out, the suggestions made to measure lost time, as well as increased control of manpower management all urged frugal manpower management. Changing the conditions of employment was also accompanied by the retreat of the shortage psychosis which artificially increases the manpower requirements, and this manifested itself as an additional moderating factor.

With the decrease of demand for manpower it is becoming increasingly obvious that the trade and geographic structure of manpower differs from the needs deriving from the production and service tasks. There is a shortage of people in some trades and work areas as well as in certain regions, while there is surplus in other trades and locations. There is a shortage, for example, in miners, spinners, weavers, machinists, heavy laborers, and people who work under unpleasant conditions, while it is increasingly difficult to find jobs for the handicapped, unskilled women, highschool graduates, people who have changed their trades, and some employees with college level education. In some locations--primarily in the capital city--even the overall employment demand exceeds the number of people available, while in the less industrialized regions--first of all in Szabolcs-Szatmar megye--it is difficult to place those unwilling to commute. Even this list of examples illustrates that the shortages and surpluses do not counterbalance each other.

The manpower shortage of the capital city is increased by the fact that with the industrialization of the region and within this, of the agriculture, the number of active wage earners migrating or commuting to the capital city is decreasing. But Budapest's population is getting older, and it is increasingly difficult to secure replacement for the retirees.

The problem is discussed often that the syphoning effect of the auxiliary and sideline businesses of the TSZs [producer cooperatives]--primarily in the agglomeration around Budapest--increases the manpower problems of industry and of the construction industry.

It was necessary to expand the activities performed in the auxiliary and sideline businesses--due to reasons deriving from the shortcomings of our economy's organizational system and due to employment policy considerations. When this process started we expected that cooperative agriculture will attract manpower (including well trained tradesmen) from the other branches. In spite of this, the opinion was that this will cause a lesser conflict than would be caused by the unfilled needs, or by placing the manpower freed up in connection with the more moderate production increases.

The majority of these units do useful work and thus they are necessary in the interest of improving the population's supply and decreasing the number of shortage items. But in order to do this they also need manpower which they obtain primarily from industry and from the construction industry (providing employment in many cases to manpower freed from there).

However, this process became reality with contradictions--which can be traced back to several reasons. There have been examples that some workers have also migrated to agriculture who can be employed more effectively in other branches. It is a frequent occurrence in the capital city that the workers are doing the same job, only for another employer (for the TSZ) and for higher wages. There have also been examples where certain units--taking advantage of their monopoly situation--realized profits out of proportion with their performances. But because of its proportions the number employed in this manner cannot fundamentally endanger the positions of industry and construction industry. (According to one KSH [Central Statistical Office] analysis, in 1980 agriculture's industrial tasks employed a work force equivalent to about 8 percent of the physical workers employed in industrial organizations; of this /of the 8 percent/ 2 percentage points are in actually foreign profiles, the rest in food and lumber processing and in services of industrial character). But the effect of the unfavorable phenomena is significantly greater because it also questions the favorable tendencies as bases of reference.

The economic operating organs resolve a significant part of the tensions deriving from the manpower shortage by having some of the work done in subcontracting or in cooperation, and also Budapest's industrial enterprises in many cases place the production of some--primarily of the labor intensive--products into the districts. Construction industrial implementation organizations headquartered in Budapest have insured the completion of investments--primarily the housing construction and maintenance jobs--by

regrouping the manpower capacities of organizations in the districts into the capital city, and by imported manpower. In addition to this, the enterprises are trying to decrease the tensions resulting from manpower shortage by organizational measures, overtime, and by employing their own workers within the framework of part time jobs.

The problems in shortage trades and in some areas with manpower shortages have been eased also by lifting the employment restrictions on the retired. The 1981 practice of this is characterized by the fact that the number of exemptions did not change, but the composition modified: the ratio has shifted towards the higher number of hours that can be worked (over 1,260 hours), and towards higher total earnings (for nonphysical workers).

Practically all branches of the national economy, not only the ones that lost most employees, that is, industry and the construction industry, are struggling with manpower supply problems--primarily in the capital city--extending over more or fewer trades. But at the present time the employment situation is not critical even in these two branches of the national economy--in spite of the significant loss of manpower. Except for individual cases, the manpower shortage did not hinder the fulfillment of requirements. The decrease of manpower which occurred, was possible to counteract by the measures already mentioned.

Moderation of the demand for manpower did not cause economy-wide employment difficulties. However, there were smaller localized tensions, primarily in the economically less developed regions of the districts.

Naturally, the development of the manpower situation has also influenced the employment of youth. Moderation of the manpower demand in the material production branches, and in the nonproducing areas the centrally mandated manpower cutbacks have also limited the employment opportunities of young people completing their studies.

For the majority of graduates the smaller demand--compared to previous years--meant only a smaller number of job offers, but to a greater or lesser extent these exceeded the number of graduates. The problem in this area was caused by the fact that the ideas of the young people differ significantly from the needs of the employers. This is present primarily with respect to certain fields, and affects mostly the teachers, economic trade school graduates, typists and shorthand takers, as well as health care personnel with secondary and college level training. And a large number of high school graduates can find employment only in physical job areas.

In a narrow spectrum, primarily for graduates of certain faculties of the top level educational institutions, central measures were necessary to provide jobs (for highway and bridge construction engineers, chemists, physicists, mathematicians, biologists, psychologists, and nonteaching liberal arts graduates).

As a result of the differences appearing in regional and trade structures, some of the young people found employment in so-called related areas or in

jobs with requirements differing from their training. Besides this, "finding" the suitable or satisfactory job requires more time.

In accordance with the resolution of the Council of Ministers, the change-over to the 5-day work week has begun as of 1 July 1981 in economic operating units working continuously, and the ones working in three or more shifts.

The decisive majority of economic operating organs entitled to make the change have introduced the shorter work week by the end of the year, and by doing so the working hours of about 470,000 workers became more advantageous. The affected workers were pleased to accept the changes.

The decisive majority of the economic operating organs prepared their programs to insure the smooth changeover in time, thoroughly, and with appropriate circumspection. The hours lost due to the shorter work weeks were generally made up for by improving the organization of the working processes, modernizing technology, internal regrouping of the manpower, and by cutting down idle time losses.

There have been no significant difficulties thus far in the process of the changeover, but minor problems have come up already even during the course of the preparatory work--due to increasing the daily number of hours of presence at the job site (by eliminating paid lunch times), because of the differences between interests of the workers, and because of the changed work schedules. The overwhelming majority of these were resolved within the enterprise. But there have been cases where they turned to the higher organs with observations and complaints even when measures had to be taken locally, and that delayed their resolution.

The change over to the 5-day work week began on 1 January 1982 in all areas of the national economy, and by the end of the year--with the exception of agriculture--the employed people will be working shorter work weeks.

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Wage Management

For 1981 the national economic plan projected a wage fund increase of 4.5 percent for the socialist sector as a whole (without the agricultural producer cooperatives)--calculated without the wage preferences--within this the projected wage fund increase is 4 percent in the material branches, and 6.1 percent in the nonmaterial branches. According to the plan the wage fund increase of the producer cooperatives is 3.8 percent.

According to the preliminary data available to us, in the national economy's socialist sector (without the agricultural producer cooperatives) 5.7 percent more was paid out for wages for labor (within this, about 5.2 percent more in the material branches) than during the same time period of the previous year.

In the agricultural producer cooperatives the amount of labor charges and wages paid out for work was 11.5 percent higher than in 1980.

The wage fund spent in excess of the plan in the national economy's socialist sector--without the agricultural producer cooperatives--is of a technical nature in part. As a consequence of accounting for the planned wage preferences and for the value of protective food as wages, about 0.5 percent more wage mass was spent than had been included as the basis of comparison in the plan's calculation material. If we subtract this--in the sphere under discussion--the wage mass paid out over the plan corresponds to an excess spending of about 0.7 percent.

The increase in excess of the projection derives for the most part from the larger than calculated rise of the wage improvement index and from the use of a portion of the wage reserves from earlier years. The higher than planned increase in the wage improvement index is caused mostly by the profit increases out of proportion with the performances. While the performances (national income, GDP [Gross Domestic Production]) fell short of the projection, the development of profits, especially in the wage fund regulation formats tied to performance, exceeded it. Thus the profit growth and therefore the payment of wages--since it is mostly a function of the way profits develop--are not in harmony with the performances.

The increase in the average monthly wages also exceeded the plan. Calculated without the wage preferences, the 1981 annual plan projected 4.9 percent increase for the national economy as a whole, and within this, 4.7 percent in the material branches and 5.3 percent in the nonmaterial branches. In contrast with this, in the socialist sector (without the agricultural cooperatives) the average wages increased by 6.7 percent and average earnings by 6.8 percent. Within this in the material branches the average wage as well as the average earning increased by 6.8 percent.

The higher than planned increase of the average wage--discounting the above-mentioned technical factors--resulted to a decisive extent from the fact that the wage fund paid out was larger than planned, while employment--in the areas that fall under the wage fund regulation--did not reach the value used in the plan's calculations. The dynamics of average monthly wages and average earnings by the national economy's branches shows only a small amount of variation, but the extent of growth everywhere surpasses the calculations.

Average wage increases exceeding the national economy's average by one-half of a percentage point or more occurred in the socialist industry, and in transportation-communication (7.2 percent each), in foreign trade (7.5 percent), and in miscellaneous industry (7.8 percent), and in the construction industry which did not reach that level (6 percent), as well as in the state operated agriculture (5.6 percent).

In agriculture's cooperative sector with the dynamic growth of the wage fund the increase of average wages (7.7 percent) and of the average earnings (7.9 percent) also significantly exceeded the plan.

In the nonmaterial branches the average wages increased by an extent around 6.5 percent.

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The larger than expected decrease in employment and the increased profits increased primarily the wage increase opportunities of branches and subbranches operating under the wage fund regulation format tied to performance (and also its extent was the largest here). (For example, petroleum and natural gas production realized an average wage increase of 9.4 percent, the machine industry 7.5 percent, and the pharmaceutical industry, 9.7 percent). Below average increase in the average wage occurred in coal mining, 5.9 percent (where in addition to the centrally assured extent, the wage preference also served as the source of the realized wage improvement), and in the baking and dough industry: 4.9 percent (where central wage level regulation is in effect and employment remained unchanged).

The industrial enterprises implemented wage improvements between 3 and 10 percent in a differentiated manner. They used most of the wage improvements available to them (60 to 90 percent of it, in a differentiated manner) to raise the base wages, and the rest to introduce the more modern wage payment formats, and for bonuses. In the interest of improving the correlation between wages and performances, several economic operating units modernized their internal interest systems. Greater emphasis was also placed on differentiating the individual earnings in proportion with the work done.

According to the experience gathered by the enterprises and in accordance with our wage policy goals, a significant portion of the economic operating organs paid higher than average wages to people working under unpleasant working conditions, to those doing heavy physical labor, to practitioners of the shortage trades, and to employees playing outstanding roles in the activity of the enterprise. Because of labor discipline reasons and consistently lower performances than required, a significant portion of the workers received no wage increases.

But in addition to this, there were also some negative tendencies. In the practice of the enterprises, financial and moral recognition in proportion with the performances, with the quantity and quality of work done and its importance within the enterprise do not always prevail; instead of this in many cases mechanical schemes are preferred. For example, the wages of certain workers in nonphysical jobs are not raised sufficiently because they have set such rigid limitations for themselves that the wages of the nonphysicals can not climb faster than those of the physical workers. This often results in misunderstanding of the central guidelines, and in some cases reaches back for a longer time. For example, when the requirement for 1973 was that the wages of employees were to rise no faster than those of the workers, were also unjustifiably implemented in the wage improvements in later years.

Improvement in the efficiency of economic operation and in the standards of intellectual work in the future requires that, for the purpose of better exploiting their abilities, the workers with basic roles should receive increased material and moral appreciation. In all cases the enterprise must decide, considering the tasks and goals it has, who belongs--which job groups or workers--in this area.

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In summary it can be concluded that the direction of the 1981 manpower processes is a favorable one, but the extent of the change is not yet satisfactory.

It has already become evident on the basis of knowing and analyzing the factual numbers for the first half year and of the projection of the expected tendencies, that on the annual level the 1981 income of, and wages paid by, the enterprises will be higher than planned. In order to counteract this, several profit reducing (income withdrawing) measures were already taken in the fourth quarter of 1981, and the system of wage and income regulations was made more strict as of 1 January 1982. The primary purpose of these measures is to insure that the wages paid in 1982 are kept within the planned limits.

The changes made in the economic regulatory system for 1982 will presumably favorably affect the way the labor processes develop in 1982, and will lodge increased demands against the economic operating units, which is expected to provide the incentive for more efficient employment of the work force.

If the implementation of the resolutions passed earlier concerning the relocation of industry away from Budapest were accelerated, it would decrease the tensions in the manpower situation in the capital city.

The 1981 increase in earnings, and the uncertainty of the 1982 income processes make it necessary for the economic operating units to conduct considered and careful wage management in 1982, thus insuring that wage payments correspond to what is calculated in the Sixth 5-Year Plan, and insuring improvement in the correlation between performance and earnings. Watching over these processes continues to be the task of the supervisory and functional organs.

A comprehensive analysis of the manpower situation and manpower management, as well as of the wage system, will take place in the first half of 1982; the tasks of continued development will be defined. And beyond this, an analysis and evaluation of the activities of the side business branches of the TSZs is under way, and a proposal will be worked out for measures which may possibly become necessary.

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FIRST EXPERIENCES WITH SMALL BUSINESS REFORM IN INDUSTRY REVEAL PROBLEMS

Uncertainty, Bureaucracy a Hindrance

Budapest NEPSZABADSAG in Hungarian 6 Jul 82 p 6

[Article: "In Bureaucracy's Clutches"]

[Text] Late last year regulations were published, one after the other, about new enterprise opportunities. Since then, about 2,200 small business organizations have been formed in this country, with the participation of more than 13,000 persons.

In our series of articles we will seek the answer to how well the large entrepreneurs--that is, the enterprises--took advantage of the new opportunities. The experiences of our efforts are only beginning. The overwhelming majority did not grasp the opportunities offered. Those who did start small undertakings are still at the very beginnings of them. But, some very important things have already come to light; the published regulations did not provide sufficient guidance to organizing small enterprises, case handling is slow, there are many unanswered questions, the income differences that have developed are causing tensions. The initial successes of the small enterprises spotlight with even greater clarity several weaknesses of enterprise operation and of labor productivity, many errors in organization, lack of sufficient interest in doing good work and the fear of taking risks.

Criticizing the Management

In the working cooperatives of the enterprises, the plant's workers can earn additional income, and a pretty good one at that, for voluntarily doing additional work. The enterprise also benefits because it can harness the enterprising desire of its workers to implement its own goals. It can improve the use of production capacities, decrease problems related to the supporting industry and ease tensions caused by the manpower shortage.

Since many enterprises are constantly complaining about the lack of capacity, weaknesses of the support industry, shortage of manpower, and the way that the wage and income regulatory system ties their hands in providing incentives for better work, it could be reasonably expected that they would grab the small-scale enterprises with both hands. This has not happened. The majority of the

enterprises gave a cold shoulder to the new opportunities. (There are a number of formats for the small enterprises. Business associations with corporation rights, subsidiaries, small cooperatives, specialized cooperative groups and business work partnerships have been formed. The enterprises favor the business work partnerships, especially that alternative of this format connected most closely to the plant's work. This is called an enterprise business work partnership--or vgm. It is formed by the enterprise's own workers and primarily uses the tools of the business; the enterprise is responsible also for meeting its obligations.)

According to the data of the capital city council, 783 business work partnerships have been formed in Budapest by the end of May. Of these, 196 were vgm's and only 33 were engaged in production activity. Even the majority of these were formed at budget-supported institutions, construction industrial enterprises and service enterprises. With the addition of new partnerships the data were changing practically every day, but the ratios are characteristic: about one-fourth of the total number of partnerships are formed at the enterprises, and few of these do production work. Industry--it seems--is slow to wake up.

The capital city council's workers attempted to find the reason for this reserved behavior, which is even more strange because for years the manpower shortage has been worst in the capital city, with much production equipment idle due to this. In addition, the enterprises also complain much and very loudly that they can not pay for additional performance because of the faults of the wage regulatory system. Financing the work partnerships is not done at the expense of the limited wage budget but of the more ample--and because of this, unfortunately, often spent without accounting--expense budget. Yet they take no advantage of it.

Management has brought up two major reasons against establishing work partnerships: the legal regulation is excessively complicated and incomprehensible (it indeed is complicated but no more so than the other small-scale enterprises) and, in practice, it is difficult to control whether the workers are working during their regular working hours and at its expense, on the work of the small partnership. (This reason, by the way, is a goal scored against themselves, because at the same time it is also a severe criticism of the management of the workplace. That is, in a place where they cannot even control this, there are fundamental problems with management, organization and working discipline.) It can also be seen clearly from these apprehensions that these places never really considered the idea of forming small businesses. Had they done so, they could have listed many more reservations, concerns and problems with creating the work partnerships.

Convenience, Apathy

Why are there so few enterprise work cooperatives? This is what Gyula Fonyodi, the deputy director in charge of business at the Office Machine Technical Enterprise, said about the real reasons:

"Some of the managers are simply unaware of the opportunities. Then there are those who are suspicious, who do not believe that the government, seriously proposed these new enterprising formats. But the majority prefer convenience. They have become accustomed to the state helping that the poorly operating ones survive. They really have nothing to exert themselves for and to seek out the new opportunities. Then again, the small businesses make sense where there is a real shortage of manpower and where capacity is tight. In most places, as soon as they start to set up the work cooperatives, they find out that they can not give them work to make sense."

This is the opinion of Sandor Szmicssek, chief engineer of the Danubian Iron Works in charge of production, about this same question:

"The economic managers must take on much additional work for the results produced by the work cooperatives. The associations must be organized and someone also must see to it that they have work, material, machinery and spare parts--and not to just any standards. These people stay in the plant after work, they want to earn money, so that they immediately protest if the working conditions are not right. During regular working hours they are much more forgiving toward the shortcomings of work organization. In addition, the business manager must expect tension in the plant's atmosphere due to increased differences of income. The members of the small businesses earn two to four times as much during the extra working hours as during the regular working time. Public opinion tolerates such income differences poorly. When there are arguments, the manager's job is also more difficult. What does he get in return for all these problems? His plant will perhaps be able to fulfill its plan, and he will receive a bonus of a few hundred or a few thousand forints."

In spite of all this, several enterprises still embarked on small businesses. The Business Machine Technical Enterprise did it because--due to mistakes in wage management--the wage level is low; this is how it tries to let its workers earn extra income. The work partnerships are supported in the Ganz-MAVAG [Hungarian State Iron, Steel and Machine Factories] because of the manpower shortage and in the Danubia, because of lack of capacity. The Danubian Iron Works is trying to make up for metallurgy's losses due to the business recession by increasing the production of profitable products.

Thus they have started to organize, but they did not have an easy job.

The Precise Office

The complaints poured from Lajos Darabos, the legal counsel of Danubia:

"The Council of Ministers has sent us on our way with only a brief paragraph, in which it clarified only the most basic questions of creating vgm's. The new regulation contradicts a series of statutes in effect for a long time. We did not receive much help from the organs and main authorities responsible for implementing the regulations. We heard nothing but what we did wrong and why and that the steps that we have taken so far violate which valid statutes. But they cannot answer this: if this is no good, how should we do it properly? It is extremely important for the work cooperatives to start producing as soon as possible. Due to lack of capacity we can accept orders for tools only with a 3-year deadline."

The reporter asked, "Would you give an example of an unanswered question?"

Darabos replied, "I can give as many as you wish. For example, we have forbidden the work cooperatives from making tools and hydraulic equipment for customers other than the enterprise. The reason is terribly simple: they are producing in our shops, with our machinery and equipment, and the Danubia also accepts the responsibility for their work. But this prohibition is against the rules, because it violates a law on the books since 1875. We do not know what price we can offer them and what price the associations can accept. According to the positions, the limit here is a decent profit. But who will say in this case what a decent profit is? Further, it is incompatible for the business manager to be a member of the work cooperative. Other places are not so strict. Who is right?"

Of the 30 work associations set up in one half-year in the Ganz-MAVAG, only 3 were able to fight their ways past the official formalities.

Ferenc Stahl, the enterprise's legal council said:

"A more complicated legal procedure than setting up vgm's probably does not exist. Various organs--for example, some councils--top this off by demanding additional proofs and documentation that would not be necessary according to the original regulations. The official organs are extremely slow. In a good case, if there is no particular problem, it requires 4 to 6 months before the last official stamp is imprinted on the association's contract. The administration, record keeping and accounting systems of the work associations are too complicated. The higher organs have already made their appearances, asking for various statistical data in various breakdowns from the work associations. Who will be able to handle this paperwork?"

All these complaints indicate that even the authorities, the official organs themselves are uncertain in evaluating the small businesses. One typical example is that obtaining the permits takes 2 to 3 days in [Budapest's] 14 district council but often 2 to 3 months in other districts. The people in Dunaujvaros have also seen that the paperwork comes through the official process in Fejer Megye in half the time needed in the capital city.

What problems does a precise office have? Councils require the signboards of the new work cooperatives to be nailed on the factory's gate next to the enterprise's name. This causes some problems where there are 50 or 60 work cooperatives; the gate is not big enough. In one city the OTP [National Savings Bank] will open an account for the associations without any problem, while in others--for example, in the capital city--it has been refusing to do so for months. Because of this, many work associations that have been formed and registered--for example, in Danubia--are unable to begin their activities.

What should we say about some lawyer's work associations that want to get rich on the small businesses? They told us in the iron works in Dunaujvaros that some lawyers want as much as 10,000 to 20,000 forints for advice and for drawing up the necessary papers, thus scaring away the workers with little money.

The decision must be very ripe for an association to undertake the dragged-out and costly procedure, with its uncertain outcome, that accompanies establishing a small business. It is no wonder that the majority just wait for the time being.

Tensions Rampant, Unused Resources Discovered

Budapest NEPSZABADSAG in Hungarian 7 Jul 82 p 6

[Article: "Split Personality From 2 to 6"]

[Text] Creating the small businesses in large enterprises had a hesitating and stumbling start. The general experience is that those are the furthest along where the management of the enterprise not only gave the "green light" to organizing but also actively supports and helps set up these associations. It draws up the cooperative contracts with the help of its legal staff and with its prestige it endeavors to shorten the rather lengthy time of bureaucratic case-handling by the authorities.

The First Step

Perhaps the first step was the most difficult one. A price had to be stated--a price that would make it worthwhile for the workers to remain after work.

The enterprises started from the point that the worker should receive the free market wages for work done in the small business. The free market's hourly wage is between 50 and 70 forints. The enterprises made out the contracts in such a way with the work cooperatives that after the various deductions--overhead, taxes, SZTK [Trade Union Social Insurance Center] contributions, etc.--each worker should clear an amount equivalent to an hourly wage of 50 to 80 forints.

In some shops the machinery, spare parts, energy, in a word everything needed for production is available at no cost to the work associations. They determine the number of standard hours needed to do the specified work and pay according to that. In other places--where the workers may greatly influence the use of materials and the profitable operation of machinery and equipment with the quality of their work--a portion of the overhead is also calculated into the price in such a way that both parties profit. The work cooperative may pocket what it saves on material and energy consumption; the enterprise's profit is the result derived from the improved efficiency of work.

All this is very logical but those who can see into the future have discovered a contradiction in it. Gyula Simon, head of one of the maintenance work cooperatives at the Danubian Iron Works, said:

"In paying wages, our enterprise also starts from the free market price of manpower. But, there are those who want to earn money and drive themselves more than others. Over the long range they don't come out ahead because if they once receive an outstandingly high income, next time the enterprise will determine the prices--that is, decrease them--in such a way that the workers will not earn more than 60 to 70 forints per hour. Care must be taken not to let the same type of egomania develop in the small businesses as fashionable during regular working hours."

"This is still the music of the future," countered the production chief engineer Sandor Szmicssek. "Anyway, our goal is that the market for small businesses should be created by setting up additional work cooperatives. The work cooperatives should compete for those who can do the work for less. The prices will then no longer be set by the enterprise but will be determined by the laws of supply and demand, resting on realistic foundations."

Performance Several Times Higher

The experiences of the 56 business work associations set up thus far in the Danubian Iron Works have led to results that point far beyond the small businesses and are shocking to many people. In the small businesses the productivity of work averages one-and-a-half times as high, and in some cases three times as high as during regular working hours.

Among the reasons are some very obvious ones. The first work cooperatives were created by the best workers, the ones with the greatest desire to work. The cooperatives were very choosy about whom they accept into the team. In order to support the small businesses, extreme care is being taken everywhere that the work cooperatives are not without materials, machinery and tools. (The cooperative's members also demand this for themselves.) The higher income is also a driving force.

Gyula Simon, who otherwise is a maintenance foreman but does physical labor in the small business, said:

"It would be worth filming once the way people move during regular working hours and the way they do for the small business. You could not even recognize them. How does the worker work during the main working hours? I came in, I am here, give me directions, blueprints, tools, material. If something goes wrong, I stop, report a problem and wait for the bosses to take steps for me. But in the small business every minute affects the pocket. We organized our own jobs. We know who can be given what kind of an assignment. We are constantly thinking about how the job could be done more simply and faster. In a word, we use our heads. But in regular working time we have accustomed to others thinking for us; we only carry out the directions. The largest part of the increase of productivity results from working with our brains."

Another example from the enterprise illustrates this. One of the workers of the hot roller mill works--Barna Szabo--submitted an innovation last year for rejuvenating worn million tool bits. He guaranteed that with his process the tools can be returned to their original quality. His idea was rejected. Now Szabo is rather glad about this: he can make big money from his innovation. He set up a small business to implement his idea. With his fellow workers he reworks for 58 forints the tools originally costing 290 forints. One of the managers of the enterprise noted this with some malice:

"You can see that if someone not only comes up with the idea but also implements his innovation, and by doing so he makes millions for the enterprise, then we will support him. We are not our own enemies to such an extent that we would refuse even such a profit, offered to us on a platter."

Many Are Envious

In addition, the experiences of the small businesses have shown very clearly where the largest productivity reserves are. For example, the milling work cooperatives even with very great efforts can achieve only about 20 percent more production in a small business. But for maintenance people the performance increase is sometimes tripled. This spotlights the known fact that there are huge performance differentials behind the roughly comparable wages.

To plod along from 6 in the morning until 2, then to drive hard and earn 3 times as much from 2 to 6, for the same man, in the same plant--this is a typical case of split personality. Actually what has happened is what the new regulations wanted to achieve, among other things, to create the opportunity for proportionate pay for higher performance.

Generally, the plant's public opinion finds it hard to tolerate such large differences in income--which, by the way, are probably covered by the additional performance. The small business members said in the Danubia, in the Ganz-MAVAG, as well as in the Danubian Iron Works, that they all feel the envy around them. The problems began as early as the selection of the members for the work cooperative. Many people took offense that they were not selected for the business undertaking. Some complained about this to the enterprise's management and to the party organization.

A portion of the complaints could be fended off relatively easily: whoever was not selected for the team may also set up a small business. However, there are some jobs and work areas where a work cooperative cannot be set up. For others--for example, for the plant's management, material-purchasing agents, production services, quality controllers--serving the small businesses, organizing and controlling their work often means much additional work--whether during regular working hours or on overtime. But, they receive only their usual wages for this, while those in the small business get several times that. This tension, for the time being, cannot be resolved. The bonus and overtime budget of the enterprise is usually insufficient to pay those who also service the small business. Because of this the secondary distribution of incomes obtained from these businesses has already begun, right at the outset. Sometimes members of the working cooperative also give a greater or lesser part of their earnings to those on whom the success of their business largely depends. These monies come and go uncontrollably, which may also have harmful effects in this not yet fully developed system--primarily for the small businesses but also for the general business system.

High Voltage

Sandor Szmicsek, the chief production engineer of the Iron Works, illustrated the situation of the small businesses with an interesting comparison:

"The large enterprise is a piece of equipment that operates at a voltage of 24 volts. This is not enough for large performances but suitable so as not to jolt anyone. In this equipment some islands--the small businesses--came into existence and their voltage is several hundred volts. Naturally at those points where the large enterprise and the small business come into contact with each other--because it is impossible to insulate them from each other--everything is throwing off sparks."

The reporter commented, "Such a difference in voltages cannot be tolerated over the long range."

Szmicssek replied, "Right, it cannot. The big question is this very thing: will the small businesses lose their high voltages and blend into the comfortable medium of the environment or will they have so much strength that they can get the majority to follow them and they will contribute to increasing the productivity also in regular working hours? What is needed for this is that we in the daily production work should make use of the favorable experiences of the small businesses."

On the basis of the experiences of the small businesses, which are limited but very good warnings that should be heeded, those in the iron works are beginning to entertain ideas that for many perhaps seem as heresy. If the enterprising spirit is able to liberate such gigantic amounts of energy, it is worth extending it also for regular working time. The at-times seemingly unbearable duality of regular working time and the small business could be eliminated. The performance during regular working time--which determines the fate of the enterprise--could be increased significantly--in the opinion of more and more people in the iron works--if they would also learn the format of providing incentives for significantly higher performance.

Encouraged by successes so far, they are considering the matter. For the time being, they have proceeded only as far as outlining the theoretical foundations of this experiment--to be held only in a limited area in the beginning. It will still take a long time before we find out if the idea is viable at all. One thing is certain: the enterprising spirit is out of the bottle, it has shown how much power it has and also, that in its absence, large performance reserves remain unexploited. In the next part of this series we will deal with the future and with its opportunities.

Attitudes Remain Cautious, Confused

Budapest NEPSZABADSAG in Hungarian 8 Jul 82 p 6

[Article: "Troubling Matters"]

[Text] A number of questions still are not clarified in connection with the small businesses; this is also true for the enterprise business work partnerships [vgm's]. The legal experts, when they sought the methods and opportunities, started out with a reasonable mind. They tried to draw up contracts on a legal basis to ensure that work done in the small business could really create value and that the enterprises as well as the enterprising workers could benefit. The

association contracts undoubtedly contain some elements that violate existing statutes and also ones not yet regulated by statutes. The legislature will use the experiences of the developed practice to work out rules and restrictions that future small businesses will be able to use as guides.

But, will there be any more of them?

Without Risk?

The overwhelming majority of enterprises is not urging itself into action very hard but primarily voices reservations. The majority of workers also prefer to wait curiously, to see what will develop. The spirit of enterprise is still a novelty in the plants and is gaining ground with difficulty. Few people are willing to accept even that minimal risk accompanying the establishment of the business work associations.

Even if there are many obstacles, the risk itself is very small. In the majority of the existing work cooperatives the enterprise furnishes the orders, the material, the tools, the machinery--in one word, everything. The members accept responsibility for the work done only to the extent of their financial contributions (this runs generally between 100 and 2,000 forints per person) and to the extent of the incomes earned. If the damage is greater than this, the enterprise pays. There is practically no risk, or only that if they ruin a job, they don't get the money for it.

If they accepted greater risks, they could earn more. For example, the Danubian Iron Works offered to organize a work cooperative to recover the usable materials on the slag dumpers. It would have leased the necessary equipment to the workers. This would have involved no small risk for the entrepreneurs; if they did not succeed in solving the efficient utilization of the equipment, they could have lost much money--hundreds of thousands [of forints]. But, if they succeeded, they could have profited--even more hundreds of thousands. The risk was too great; nobody accepted it. (By the way, the iron works did not give up on the idea. It formed a business partnership with the megye's VOLAN [Motor Transport Enterprise], which will direct and coordinate the work of the two work cooperatives to be formed at the two enterprises and also accepts the decisive majority of the financial responsibility. By interjecting such insurance, they found takers for the small business.)

In most of the work cooperatives formed, the money is divided not in proportion to the work done but equally; they also require that everyone work at full capacity. I talked with the representatives of 10 new work cooperatives at various enterprises. There was only 1 (in the galvanizing plant of the Danubian Iron Works) where the money earned is distributed among the workers in a differentiated manner, on the basis of multiplication factors and in proportion to the responsibility that they have accepted. Their business manager gets 1.5 times the wages of a member; the person managing the assigned work, 1.25 times. On the other hand, the service personnel (those who provide the materials, energy, water, compressed air, etc.) get 0.75 of the average. The majority of the work cooperatives does not recognize the additional work and additional responsibility connected with organizing, directing and administering the work. This is untenable over the long range.

And the Trade Union?

This malicious slogan is circulating among the workers in the Danubia: "8 hours of work, 8 hours of sleep, 8 hours of small business!" That fact--food for thought--is behind the saying that the participants of the business work cooperatives formed so far at the enterprise have each pledged 1,000 hours of extra work per year in the cooperative contract. In practice this means that they add 4 hours of extra work to each day.

Karoly Khrrpati, the head of one work cooperative, said that this cannot be kept up over the long range. The people will get tired after 2 or 3 years. In one of the small businesses of the Danubian Iron Works--the one in the galvanizing plant--they were able to sustain the initial, and excessive, rate for 3 or 4 months, after which they could not get people; they declared that they are resting until fall.

Also, this particular small business was formed in a plant harmful to health, where even earlier the work-week was reduced to 40 hours. However, when the small business started, the workers worked an average of 64 hours per week. A representative of the iron workers' trade union who visited the site, suggested that the trade union examine whether it will authorize any small businesses at all in this and similar plants. Some workers countered:

"The small business is none of the business of the trade union. Its job is to represent the interest of the workers during the 8 hours of daily work but it should not interfere with who does what, who tries to earn money and how, after regular working hours."

The trade unions support the small businesses. However, they have not taken a position in connection with certain specific cases and problems. As the preceding example illustrates, it is high time to do so. It is also an open question of what type of organ represents the interests of the small entrepreneurs. The members of cooperatives, small craftsmen, small retailers--all have their interest protection and interest representation organs. The small entrepreneurs do not yet have that.

It is necessary to mention these questions because of concern for the future of the small businesses. Some questions call for measures to be taken, while time will put the others in order. If normal relationships are successfully developed between regular working hours and the small businesses, the unclarified questions will for the most part be resolved on the basis of the reasonable mind--just as they were in the case of the household plot operations.

Dual Morale

The complaint voiced most frequently against the vgm's is that the work done there is done at the expense of activity performed during regular working hours. Dual interests, and through this a dual morale, develop in the plants: the double to quadruple income differential encourages the workers to save their

strength for the small business. (At the time, this was also the most frequently voiced reasoning against the household plot operations. But time, the practice that developed on the basis of reasonability, and mainly the performance demanded at the place of the main job disproved the worriers). It can also happen--and does--that the workers lay aside the materials and spare parts in short supply during regular working hours and use them in the small business.

The enterprises endeavored to build various guarantees into the contracts made so far. (It is not certain that their specifications fully comply with the letter of the law but they absolutely comply with reason.) In the Danubian Iron Works, if the plant does not fulfill its plan, the value of the shortfall is deducted from the performance of the small business. Even though this is probably illegal, through this, for example, the steel structure plant--where several small businesses are operating and where in the past they often produced less than the plan--now regularly fulfills its program. Workers must drive themselves also during regular working hours in order to receive the money for the small business.

One other very important thing must be mentioned: profitability. Considering only the wages for work, the average cost of 1 hour of work to the enterprise is about 30 forints. Overtime costs 50 forints; work done in the work cooperative, 60 to 80 forints. This appears to be high but if an outside firm were to do the same work--to standards that are lower than those of the small business--1 hour costs 100 to 120 forints; if done by foreign workers, then 180 forints. This is how the Danubian Iron Works calculates it. The activity of the work cooperatives is among the less expensive solutions. In addition--and this is not evident from the calculations but it also plays a big role--the small business is financed by the costs and not by the wage budget.

Reserves Are Big

There are still many unanswered questions, or troublesome matters, about the vgm's. But this much can be stated on the basis of the slight experience gathered so far; by the fact that it is able to free energies hidden previously, it may contribute within its limitations to the solution of our economic problems. Even now the limitations can already be seen well: work cooperatives simply cannot be organized for many types of jobs and activities, the large majority of the workers do not want to and cannot work in them and those who are willing, have no unlimited performance capabilities. The interest of the small businesses, and even more so of the large enterprises, demands that the sources of friction between them be minimized. The smaller one must have as little bad effect and as much good effect as possible on the large enterprise.

It has been proven that through the work cooperatives the enterprises can obtain additional performance with which they can profitably satisfy the realistic market demands and open new resources of increased performance.

One of the most important experiences so far is that there still are huge reserves in the work of the enterprises. The most exciting question of the enterprises also derives from this: if it can be done during the fractional working hours, then why cannot these reserves be mobilized during regular working hours?

This last question sounds rather naive. A business manager worth his salt could list dozens of obstacles that undoubtedly exist, reasoning primarily with the shortcomings of the economic regulatory system. But the small businesses have also helped prove that very often incompetence or laziness is hiding behind these reasons and excuses. In any case the slow gain in popularity of the small businesses and the lack of interest in them show that the majority of our enterprises do not even accept the opportunities served to them on a platter. This is a big problem.

Epilogue

On reading this series of articles and the examples in them, there may be some who frown, saying on what level do these plants conduct their economic operations where there are reserves of such magnitude in regular working hours? They ought not frown. In the majority of our plants the situation is just this, or perhaps even worse. The Danubian Iron Works, the Danubia and the others differ from the average not in that the problems are bigger but, to the contrary, that by relying on their own strength, they tried to identify and eliminate the weaknesses of their work.

This is why they take on these initiatives; this is also how they use the experiences of their undertakings. As the first step, they honestly looked the shortcomings of their economic operations in the eye. And--something that is, unfortunately decreasingly typical these days--they did not hide their birth pains and problems under a bushel and away from the public eye, thinking that perhaps others will also learn from them. This is why we--even though we know that this is not customary--take this opportunity to thank them.

8584

CSO: 2500/314

WAYS OF MAKING CORN GROWING PROFITABLE SEEN

Budapest FIGYELO in Hungarian 8 Jul 82 p 13

[Article by Marton Lovas: "It Can Also Be Done Profitably"]

[Text] The Babolna IKR [Industry-type Corn Production System]--a joint enterprise of 48 state farms and 180 TSZs [producer cooperatives]--systematically fights to decrease costs. Almost one-fifth of the corn is produced by the 228 IKR member farms, and its costs are typical for the cost and income relationships of the country's corn production.

A 19 member economic committee is operating in addition to the IKR's directorate; it develops the guide principles for the enterprise's productivity, and determines its specific production tasks.

Farms Held by the Hand

The IKR's experts, together with the appropriate experts of the member farms, developed the specific technological plans of the planted fields in a timely manner. They determined the times for the various operations, the types to be planted, the depth of planting, the germination factor, the kind of sowing machinery to be used, the chemical fertilizer dosage, the planting speed, etc. The plan contains 12 technological tasks with respect to each field. Since as many as 3 to 5 fields may be worked in each member farm (corn, wheat, sugar beet and sunflower), agrotechnologically based plans have been worked out with such detail for over 1,000 fields. The development of planting plans is one of the specific elements of the economic and agronomic work of the enterprise.

The experience of many years proves that as long as the IKR's member farm carries out the accepted technological plan, it can safely expect production results to exceed the national average--and previous yields.

It is well known that during the time period of the Sixth Five Year Plan everyone has to operate under "stricter conditions". The expression "stricter conditions" means primarily that each agricultural producer has to pay much more for machinery, energy, chemical fertilizer, and plant protection chemicals than before, but will hardly receive more for its finished products. By 1981 the costs of producing corn increased by 65 percent in the IKR

compared to the 1971-1975 average, but producer's prices increased by only 26 percent. This unfavorable effect can be fended off only by decreasing costs and increasing yields. Implementing this task requires great efforts from the manager of enterprises.

For example, in Pest megye the Felsobabad State Farm produced 5.3 tons of corn per hectare in the value of 14,500 forints, at a cost of 25,800 forints. The loss of corn production was more than 10,100 forints per hectare! The Kiskunsag State Farm produced 5.3 tons of corn per hectare, at a cost of 26,000 forints. Its value was 17,000 forints. The loss per hectare here: 9,600 forints.

What Will Produce More Meat?

Not everyone operated the same way in Pest megye as did the two state farms mentioned. For example, the Jozsef Attila TSZ in Abony harvested 7.1 tons of corn per hectare, on 753 hectares. Production costs were 15,200 forints, the production value 22,800 forints [per hectare]. On each hectare of corn there was a profit of 7,598 forints.

The Arpad TSZ in Jaszkarajeno harvested 4.7 tons per hectare, while the Petofi TSZ in Kiskunlachaza had 7.9 tons per hectare. Yet in Jaszkarajeno, one hectare of corn produced a profit of 4,575 forints, but in Kiskunlachaza there was a loss of 1,196 forints [per hectare].

What is the reason for below average yield producing a profit, while an above average yield produced a loss? The fact that corn was produced in Jaszkarajeno for a cost of 10,690 forints, but in Kiskunlachaza for 26,636 forints per hectare!

The moral is that the industrial products used (machinery, energy, chemical fertilizer, plant protection chemicals, etc.)--that is, the frugal use of these--determine the profitability of corn production.

Corn was planted on 1.4 million hectares in 1975, on 1.164 million hectares in 1981, and on less area in 1982, probably because of the rise in the price of industrial goods. But much more corn is needed!

Perhaps it needs to be explained why more corn is needed when the world market price of wheat--as well as the income of the enterprise [producing it]--are more favorable than those of corn.

The 1981 production results provide the answer to this question. One hectare of plowfield produced 4 tons of wheat and [or] 5.9 tons of corn. Corn's yield was almost 50 percent more than that of the wheat. (On about 20 farms of the country more than 10 tons of kernel corn were produced per hectare.)

Hungary is a grain exporting country, but we export most of our surplus grain in the form of meat, fed [to livestock] as feed. It needs no proof that 5.9 tons of corn produces much more meat than 4 tons of wheat.

The main reason for decreasing corn production acreage is low income--as proven by the cost analysis of the IKR member farms. In 1981, corn produced 15.4 forints of profit per 100 forints of cost, wheat produced 16.6 forints in spite of a poor wheat crop in 1981. Real income per 100 forints of cost was 39.2 forints for sugar beet and 48.7 forints for sunflower. And these data characterize the crop production of the whole country.

There Is No Recipe

There are two passable paths for increasing income. One is to increase the producer price, the other is to decrease production costs.

Some of the agricultural experts, knowing the economic factors and world market prices, feel that producer prices are too low. (At the moment the world market price is higher than the domestic producer price, yet increasing the wholesale buy-up price cannot be recommended. That is, as a result of this fodder prices would go up, the feed costs would increase, and with this the cost of meat would go up which would decrease the competitiveness of meat on the world market.)

The other path: decreasing production costs is the desirable one.

The Petofi TSZ in Zamoly, Fejer megye, is an excellent example for profitable corn production: with a yield of 7.1 tons per hectare, they had a profit of 10,045 [as published] forints.

More than 10 tons of corn were produced per hectare in the Lenin TSZ of Pusztafoldvar, Bekes megye, and with this they had a profit of 12,613 forints per hectare. Corn selling for 320 forints per 100 kilograms was produced in Pusztafoldvar at a cost of 168 forints. In the Mizohegyes State Farm--which grew corn on 2,415 hectares--the yield was 11.3 tons, and profit per hectare, 11,415 forints [as published].

However, there is no universal recipe for decreasing costs. Each farm must concretely analyze how it can cut the production cost of corn under its own given natural conditions. The known methods of this are: eliminating the cost of crying (by way of wet storage, etc.), more efficient use of chemical fertilizers and plant protection chemicals, etc. Studying the methods of profitable corn production may reveal several sources for cost cutting.

8584

CSO: 2500/331

LONG-RANGE POLISH-U.S. INDUSTRIAL COOPERATION ASSESSED

Warsaw PREGLAD TECHNICZNY in Polish No 1, 13 Jun 82 pp 28-29

[Interview with Docent (doctor habilitatus) Eugeniusz Tabaczynski, affiliated with the Institute of Foreign Trade Trends and Prices, Warsaw, and co-editor with Prof Paul Marer, of the United States, of a joint Polish-American work published Autumn 1981 by the University of Indiana Press: "Polish-U.S. Industrial Cooperation in the 1980's; Findings of a Joint Research Project." The interview was conducted by Marek Rostocki.]

[Text] [Question] The book is wonderful but frustrating. Why? Because you show that if today the political solution of the Polish question permitted renewed intensive technical and economic contacts with the West, we would again lose this opportunity, inasmuch as you gentlemen name so many conditions for Polish industry's parallel cooperation with the West that there can be but one conclusion: today like 10 years ago we are unprepared for such an opening conceptually, intellectually, and psychologically.

[Answer] It is good that you talk about "parallel cooperation." Of course the principles in international cooperation must be partners on the same level. This means that they represent more or less the same technical level, have a similar sense of responsibility for the obligations they assume, and have about the same discipline in carrying out what has been agreed to jointly. A master craftsman must work in cooperation with a master craftsman and not with an apprentice.

[Question] You are confirming my misgivings.

[Answer] Wait just a moment. I would share those misgivings if it were not for the economic reform going on in the country. The economic significance of the reform should boil down to a basic rebuilding of the mentality of our managers, to changes in the minds of people responsible for the economy on all levels. This is the opportunity.

[Question] I can agree that the reform should change the way of thinking about economic issues and therefore also about our industrial cooperation with foreign countries. At best we cannot expect this new style for several years. The reform is not an act of creation but a process.

[Answer] The experience of the 1980's shows that we can become masters quickly. This was the way it was in the branches in which there were people with the hobby of good work and competitive production. The unfortunate thing is that these were hobbyists, but the economy cannot base its development on hobbyists.

[Question] In which branches do you know such people?

[Answer] For example, in the construction machine industry. Cooperation between Bumar and Harvester, presented in the book as a case study, was well organized in every respect. This efficient operation in an inefficient environment was possible because of the ambition of the individual people. Now we are going into a time where this environment is being changed and the economic system is being expanded. If we were not able to do this, then broad industrial cooperation with the West would not be really useful. I think that we can.

[Question] How come?

[Answer] We have marvelous people in industry, people who are innovative, educated, and learn quickly. There are no objective barriers, except for systems barriers, to our being masters. Perhaps not right away, but fast enough.

[Question] What is the center of gravity?

[Answer] The enterprise is the heart of the problem. Growth and expansion are its *raison d'être*. Without these characteristics the enterprise has nothing to look for on the world market. The philosophical stone of change in the Polish economic system must be an efficient enterprise which has no rationale but the economic one. Only such a producer can think seriously about international cooperation.

[Question] There are no such enterprises in Poland, and there are justifiable doubts that there ever will be. After all, we can all see that the reform is floundering.

[Answer] Some people believe that if the sign under which industry is working changes, the work itself changes, but it is not enough to write "antelope" on the hide of an elephant for it to become more sensitive to stimuli and to touch, for it to react to the flight of flies. I think we have all the necessary components for Polish enterprises to really become antelope-like, for them to be flexible, react quickly, and also be competitive on the world market, but it is necessary to change the economic system to insure enterprise independence and competitiveness, at home and in international contacts. The entrepreneur must simply

be an entrepreneur. Until this threshold is crossed, serious talk about our enterprises' industrial cooperation with the West makes no sense.

[Question] Today things are the way they are, and everyone can see how they are, so perhaps the people are right who say that in economic contacts with the West we need time for remodelling and in the meantime should limit the contacts to a minimum.

[Answer] You are trying to upset me, aren't you? After all, today Poland is closely linked economically with the West and the East, and any artificial cutting of these ties would be life-threatening for the Polish economic organism. The situation is like that of a patient following a serious operation, with someone wanting to hook him up to different equipment as an experiment. What for?

In the economy there can be no decisions "on principle." There is no such principle that Polish industry must cooperate with the East or with the West. There is one abiding principle in economics: economic profitability. The enterprise should work in cooperation with that partner who insures him a higher level of effectiveness and greater profits. Period.

[Question] I think that is only the beginning...

[Answer] In the 1970's, we should note, there were also the views that through industrial cooperation we can take care of many other matters. Production cooperation with the West was treated as an alternative of cheap credit, which, on the other hand, is not the essence of coproduction. But today many people think, for example, that industrial cooperation with the West is mainly a channel for the transfer of technology. To a certain extent, of course, it is, but that is not the most important thing. Japan achieved its impressive technical level without industrial cooperation, simply through rational purchasing of foreign engineering and organizational thought (more than 11,000 licenses). Foreign industrial cooperation must be considered mainly as a factor to rationalize the production process, a factor of joint creation of new technical and economic quality. There is no industrial cooperation instead of credit, instead of imported technology, licenses, and so on. And if there is, usually it is poor cooperation.

[Question] The essence of the so-called reorientation of the Polish economy, forced among other things by the Planning Commission, is a proposal for a radical change of our industry's coproduction partners, and hence production cooperation with foreign partners no longer even instead of credit or technology. What do you think of that?

[Answer] As I said, there can be no decision "on principle" in economics. If today some plant in the Ukraine, Bielorussia, Czechoslovakia, or Bulgaria offers a Polish enterprise cooperation which is economically more effective than a West-German or French partner, then in that instance the reorientation makes sense, but only in that instance.

[Question] Polish industry -- maybe I am using a worn-out term -- is bleeding. Are we an attractive industrial partner at all for a Western economy?

[Answer] There must be some sort of period to mature to this partnership. Both sides must be aware of this, and I have the sense that they are. As for the Polish side, we must say loudly and clearly that industrial coproduction with the West for us is not something instead of credit, instead of new organization, instead of licenses, or instead of technology. We must not lose sight of the essence, the sense of this coproduction. It is standardizing technical language, creating new technical qualities, rationalizing production, reducing unit costs, increasing research effectiveness, inculcating technical progress [development], and optimizing the channels of sales and supply.

[Question] But what are things like with this partnership of Polish industry's? It was not able to become any real coproduction partner in the years of relative prosperity, the influx of credit, a different political atmosphere in the country, and completely different political and economic East-West relations. How is it to do it now?!

[Answer] Let us ask why it did not work before. Out of the nearly 100 active coproduction agreements we have now with the West, I would call only 15-20 of them real coproduction agreements. The rest are barely preparation for coproduction. What is more, among these approximately 100 agreements, most are agreements which the ministries, industrial associations, and high-level foreign meetings have thrust on the enterprises. This runs counter to the nature of coproduction, which is a horizontal relationship by its very nature.

[Question] So we should give the enterprises complete freedom to make coproduction ties with foreign enterprises and they will manage?

[Answer] They will. It is enough to introduce real economic life, without posed attitudes, pretended losses and pretended profits. A guy in industry must really live with what he is doing, live off of what he has done. His career, social status, income, prosperity, all this must depend on him himself, and he must feel this. And we have people in our industry who are second to nobody, the best Western trade people and engineers. This is not just my opinion but also that of my colleagues who deal in East-West economic relations.

[Question] So then there is no need to force the introduction of restrictions in economic contacts with the West.

[Answer] This would be the worst possible solution. For the Polish economy this would be suicidal. Whether we are or will be economically more open to the East or to the West will depend on cost effectiveness, the profitability of coproduction relationships, production sizes, and sales markets.

[Question] Then they did not dismiss us with a wave of the hand?

[Answer] This year, by May, there had already been four international seminars on the subject of East-West economic cooperation, to my knowledge. Two were in Austria, where, for example, chancellor Kreisky gave a very interesting address, and then there was one in Bulgaria, attended by Todor Zhivkov, and another in West Berlin.

[Question] At the same time, on 11 May a seminar on a similar subject was not held in Warsaw, because U.N. specialists from Geneva called off their trip at the last moment.

[Answer] But this was not because they denied the advisability of East-West cooperation. You know, I know, that that was not the reason. I suppose they were frightened by the overall political atmosphere in Poland, and maybe the everyday difficulties. You have to make a distinction here between that and the long-range intentions of Western industry. That industry -- and I have talked about this many times with its representatives at international seminars and conferences -- sees the socialist countries as tremendous possibilities for mutually beneficial cooperation and enormous long-range markets of sale. You are interested in the fact that the managers of Western industry for years have held in unchanging high estimation the skills and abilities of the Polish world of technology, Polish engineers. In short, they see on our side people whom they consider to know well what modern industry is. The problem is cooperation discipline, but this can be corrected. You know that despite everything, that is Europe. A shared civilization, shared tradition, shared technical language. And this great trust in the skill of Polish engineers and workers of course is under normal conditions. For this reason I am personally deeply convinced that the West wants to continue economic cooperation with both Poland and other socialist countries.

[Question] All this pertains mainly to West European industry. The book, the point of departure for this interview, was written at the University of Indiana in the United States. The position of President Reagan's administration concerning the events in Poland is well known, and the American economic sanctions are noticeable. After these several visits in connection with the writing of the book and the many talks, both formal and off the record, how do you see East-West economic cooperation from the perspective of Washington?

[Answer] For small- and medium-sized American firms, the U.S. market is entirely sufficient. The corporations, the great producers, get beyond the borders. An example is International Harvester and its coproduction with Stalowa Wola Steelworks. America is simply too small, too crowded for five giants producing construction machinery. At the same time the U.S.'s adverse balance of foreign trade forced even the administration of President Carter to activate American exports. For example, a special government agency was created to help small- and medium-sized firms with their export operations. It is a question of credit and government guarantees, and so on. These are the trends.

Getting back to the book, it is not an expression of a fad, the momentary interest or hobby of a single American scholar or group of them. Prof Marer, who has been concerned with Poland and other socialist countries (including those outside CEMA), is one of the American Congressional experts on the socialist countries, has regular meetings with members of the Senate in connection with preparation of concrete political decisions, and because of this can be considered a man representative of the thinking of important circles of American business. This is long-range thinking free of the politics of the moment. American corporations have their companies all over Western Europe. Because of this, our industry's contacts with American industry is made very much easier. If the truth be known, when we are talking about Polish-American economic cooperation, we are thinking mainly about these companies, and they are too!

[Question] I still cannot shake deep doubts as to whether Polish industry today has a comprehensive long-range conceptualization of cooperation, coproduction with Western industry. If tomorrow a credit line of let's say 10 billion dollars were opened up for us, for investments, would we spend that money in a sensible way?

[Answer] There are two issues. One is what is bought, from whom and for whom. The other is that of the world of the sort of economics in which the enterprise which takes over imported technology to master operates. I once said in the spring of 1980 in the columns of PRZEGLAD TECHNICZNY that the Polish economy is like the theater, in which paper bullets are fired. If the theater is to continue, there is nothing to talk about. Then the most ingenious, sophisticated, best developed strategies for foreign industrial cooperation will come to nothing. Also, in the future there should not be excessive reliance on credit lines backed by governments, too accessible to business; the basis instead should be direct credit relationships between partners and possibly banks.

[Question] Nonetheless, there is the problem of technical policy. The banks, government agencies, and so on, through tax or credit policy, without directly interfering in the economics of the enterprises, can promote certain areas of technology, like microelectronics. This is the way the governments of all the highly developed capitalist countries operate. Does Poland have a technical policy geared to international coproduction and production cooperation?

[Answer] The question is very broad. The view from where I sit is that attempts are being made to draw up a program for the export-oriented development of Polish industry, but it is no easy matter. Part of the problem stems from our habits. Others are systems-related, and still others have to do with inadequate familiarity with the trends in world technical progress, for example. On the other hand, the truth of the matter is that in the world today there are no proexport branches. In each one there are goods of excellent quality which can be sold everywhere and also goods of low quality. One cannot exclude ahead of time the chances of any branch, although perhaps certain ones should be given priority. The Japanese, who are masters in selecting branches which are

good export candidates, are always on the move: yesterday ships, today electronics, tomorrow robots, the day after? Who knows?

[Question] And us today?

[Answer] Twenty years ago, when the Japanese appeared on the American market with their automobiles, you could hear laughter in Europe. Today nobody is laughing. On the contrary. And us? That depends on us. We have to choose products that we are producing on a high level, and roll with the punches.

[Question] How is this Polish industry which is emaciated and reeling on its feet going to roll with the punches? What can it do?

[Answer] It can do a lot. Fifty percent of Polish industrial potential is on a good world level. We have marvelous people in industry. We have traditions of international cooperation. Why is it so bad when it is so good? Because all this does not create an operating whole. The Polish economy is like a watch without a mainspring. Everything is there: machinery, raw materials, and people, because this is after all a rich country! So why then are we poor in a land of riches? Because that mainspring is missing. In capitalism there are the market and profits. But what is there here? What does "socialist enterprise" mean? Under socialism, what does "market" mean? Why are the rates of exchange one way and not another? A consistent economic reform must provide answers to these questions.

[Question] But if it does not answer?

[Answer] The enterprise, the market, and foreign-exchange currency can be that mainspring. Let everything start to turn, so that finally we will be able to say: "Nonetheless, it works!"

10790

CSO: 2600/823

POLAND

DEBATE ON BUDGET PROBLEMS REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 23, 27 Jun 82 pp 1,2

[Article by Irena Dryll]

[Text] Sejm representatives have not been very happy with the 1982 budget, the first since the economic reform began. Consequently, the budget debate has been longer than expected.

On 26 May 1982, the government submitted to the Sejm a budget report for 1981 and a draft 1982 budget. These documents passed all Sejm committees and subcommittees except the Planning, Budget and Finance Committee and the Legislative Committee, which met Friday, 18 June. The draft budget could not pass the two committees not because they asked for more money, as had happened previously. This time, with the exception of the Culture and Arts Committee, no one asked for more. However, the representatives refused to approve a budget deficit in the draft or methods to deal with the deficit.

A budget is only one of the elements of a state's financial structure, which includes loans, enterprises' accounting, and insurance premiums. This year's balance of our financial structure is off by hundreds of billions of zlotys and the budget is off by 368.3 billion zlotys. Representative Krystyna Jandy-Jendorska, chairperson of the State Budget Committee, asked at the meeting, "Can we approve such a deficit? What would be its consequences?" She also reminded everyone that we have not had a balanced budget for years, since there has been a discrepancy between production plans and budget plans, and intentions have been divorced from reality on what we can afford. In previous years, the deficit was covered by foreign loans. We neither want nor are able to continue those policies.

The serious gaps between projected budget expenditures for this year and state revenues have various reasons. First of all, the state social programs cost more than the state can afford but they cannot be abandoned. On the other hand, production has decreased and thus state revenues have been lower. For obvious reasons, budget expenditures can be curbed but they cannot be altogether eliminated. Revenues from the production sector are the basis for the budget and its only significant source. Revenues from the private sector and from the taxpayers are down 2 percent.

At the meeting, experts who serve as advisors to the Sejm's Planning and Budget Committee said that, because of the large deficit, the budget is extremely inflationary and thus threatens to produce an inflation that could not be absorbed by the state or the public.

"The proposed budget deficit means a further economic imbalance and a passive budgetary policy out-of-tune with the needs of the present crisis." The advisors believe that behind the budget is strong pressure from particular interest groups at the expense of society. The experts also believe that "society's overall demands can be met only through an active budgetary policy."

The minister of finance, Marian Krzak, replied that the experts' statement about the passive budgetary policy is vague and harmful, in his opinion, much has been done to have a balanced budget. He cited the price reform but this example drew disapproval from the participants in the meeting. This incident shows that the discussion on a seemingly specialized topic--that is, the budget--was heated and polarized. (The most severe clash occurred between Minister Krzak on the one hand and a representative of the Chief Board of Supervision [NIK], J. Nowicki, and the chairman of the Polish National Bank [NBP], Stanislaw Majewski, on the other, over the assessment of last year's deficit. This controversy requires a separate article.) The minister also reminded everyone that the draft budget shows a deficit as well as methods to lower it from approximately 370 billion zlotys to at least 170 billion zlotys. The Ministry of Finance sees additional sources of revenue in a stabilization loan from enterprises in the amount of 30 percent of the profits, a takeover of part of the Vocational Activization Fund [FAZ], an increase in insurance premiums and a tax reform that would affect the private sector and individual taxpayers.

The possible stabilization loan has been the most controversial issue. The advisors agree that the nature of the enforced surtax in the amount of 30 percent of profits, even if merely a loan, is contrary to the principles of self-government and self-financing of enterprises. The Budget Committee proposed to change the formula, relying on the experts' opinion and comments from many Sejm committees as well as its own conviction that there are no guarantees that Minister Krzak would ever be able to repay such a loan. Instead of the loan, the committee has recommended an extraordinary stabilization tax on enterprises, imposed only once or possibly over a period of 2 years. It would be a selective tax that would not affect every enterprise. Representative Jandy-Jendroska proposed that the tax be imposed on profits lacking an economic justification, which are obtained through high contract prices or high profit margins. It would be necessary to verify profits and to determine criteria for assessing economically unjustifiable profits. This is a difficult procedure but not an impossible one.

Marian Krzak admitted that he supported the stabilization tax from the very beginning. He, as the minister of finance, prefers this solution because he will not have to repay anything. There is only one condition: the tax must be so effective that it would produce as much revenues as the proposed loan; that is, 140 billion zlotys. Moreover, the tax cannot be labeled a tax

on excessive profits, for this kind of profit is already taxed 150 percent. The problem of contract prices and profit margins remains to be considered. During the next week, the ministry is to prepare a new draft on this issue.

Representatives Zbigniew Zielinski and Stanislaw Rostworowski expressed their reservations about both projects. Representative Rostworowski pointed out that no matter whether the tax or the loan is introduced, enterprises would not feel that they are in control of the profits. "There are fears that we will shift the whole burden of responsibility for the crisis to the enterprises," he said. "Enterprises are supposed to be independent, self-governing, self-financing, and always ready to pay, while the ministry spends the revenues from the enterprises any way it sees fit. If we accept this thinking, financiers will get used to the fact that the enterprises' cash is always at their disposal." Representative Rostworowski also said that there are too many unknowns concerning the structure of the state revenue during the second half of 1982. He suggested that the bank grant investment loans very frugally, holding onto the 140 billion reserve until the end of the year. When the situation becomes more definite, the Sejm will make the final decision whether it is necessary to tax the enterprises and by how much.

Both the possible loan and the tax have one basic flaw; that is, they both undermine the principles of economic reform. The guidelines for financial management of enterprises and their transactions with the state budget have been clearly described in Law 243. It can be superseded by the budget law but frequent changes may make enterprises doubt whether it is worthwhile to go out of one's way to secure profits and profitability. "There is danger that the new tax will be imposed on profitable enterprises and we will cripple them financially. Those enterprises that are managed poorly will not contribute anything to the budget anyway, because they have nothing to contribute."

The representatives also criticized the proposed takeover of the FAZ surplus. The concern is with a special-purpose nonbudget fund. This fund is supplemented from the budget as a result of the state's commitment to employment but the fund should not be used to supplement the budget. Since the financial situation is difficult and the FAZ fund has not been exhausted, the representatives have suggested that a loan be taken from the fund to supplement the budget. It has been recommended that all other changes be resolved within the proposed FAZ bill. The Ministry of Finance has expressed the following opinion in this matter: the fund surplus should be used to supplement the budget because the budget activates employment. The government's proposal is a temporary measure to be implemented only this year. The rest will be determined by the budget law.

I support neither proposal, since they are within the experts' sphere of competence. The surplus in the FAZ fund is largely a result of a policy of employment offices, which play it safe when making allocations from the fund. But the job market is so uncertain that one can hardly be surprised by such policies. The administrators are tightwads and they have little experience in a flexible use of the FAZ fund. One is afraid that before they can gain that experience, the resources will be drained.

The government's other proposals, concerning a revenue increase through an increase in insurance rates by 33 percent of the payroll funds (the insurance rates have already gone up since March 1982) or a more realistic tax on the private sector, have been unanimously accepted. On the other hand, a considerable controversy was provoked by the proposed expenditures included in the draft budget, especially the amount of and the justification for individual subsidies.

The representatives from the Foreign Trade Committee, chaired by Representative Longin Cegielski, supported the elimination of unprofitable export. The minister of finance assured everyone that on the whole the export and foreign trade are profitable but it is hard not to believe those who have proposed a new, careful analysis of budgetary expenditures in connection with foreign trade.

The representatives from the Budget Committee supported a consistent limitation of organizational unit [plant and equipment] subsidies. They also proposed a bill that would spell out liquidation or bankruptcy procedures for state enterprises.

While discussing the subsidies, Representative Zbigniew Malicki presented the problem in the following way: will the submitted draft budget law activate all mechanisms necessary to improve management and to decrease cost? In his opinion, the answer is negative. The draft budget approves the present situation. As an example, he cited A. Chmielewski's article in ZYCIE GOSPODARCZE (No 16, 1982), dealing with the cement industry.

According to the new draft budget, the cement industry is to receive 5 billion zlotys in subsidies. The underlying principle was to lower cement production in all cement plants by approximately the same amount. If the unprofitable cement plants were closed, while the others increased their production, would subsidies be unnecessary?

A similar situation occurs in glassworks where production has been limited. Using the "egalitarian" principle, every plant is to manufacture less glass, whether sensible or not. If every plant is analyzed separately, the subsidies seem justified. The senselessness of the subsidies can be noticed only when the glass industry is seen in its entirety. This does not concern all subsidized plants.

The minister of finance generally accepted the criticism from the representatives. It was emphasized, however, that in absolute figures the subsidies will approximately be the same as a year ago; that is, 845 billion zlotys. Actually, they are two or three times lower. This year they comprise about 43 percent of the entire budget, while last year they comprised 63 percent of the budget. A further cut in the subsidies may be socially dangerous.

Drawing on examples cited by Representative Malicki and others, Representative Zbigniew Gertych, chairman of the Planning, Budget and Finance Committee, summed up the discussion. He suggested that the subsidies be lowered by at

least 50 billion zlotys and the entire budget deficit be cut by approximately 200 billion zlotys. Similar amounts have been quoted by the Ministry of Finance. The differences concern only the form and methods of implementing the cuts as well as the areas of the economy where one should economize. Before the next Sejm session, the draft budget will be considered once again by the committee on 28 June.

The Friday meeting lasted 10 hours. Apart from those mentioned in the article, the following representatives also took part in the discussion: Jozef Kijowski (Investment Committee), Jan Kaminski (Food Supply Committee), Lubasz Balcer (Social Policies Committee), as well as Szczepan Styranowski, Boleslaw Struzek, Genowefa Rejman, Krystyna Marszalek-Mlunczak, Waldemar Michna and Janina Banasik.

9852

CSO: 2600/752

FIRST EFFECTS OF ECONOMIC REFORM REVIEWED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJI in Polish No 11, 28 Jun 82 p 10

[Article by P.K.: "What Pleases Us? What Worries Us?"]

[Text] Economic reform, applied out of stern necessity gradually and with certain restrictions due to the present economic situation, is a chance at gradual improvement of this situation, but it is also a cause for worry. The worry stems not only from the fear as to whether reform will succeed at all, but primarily from the fact that such a large-scale economic operation creates socioeconomic problems which, during the preparation of reform principles, simply could not be foreseen.

In addition to the first, positive effects of reform, a good number of such unforeseen, negative phenomena were pointed out during the evaluation of the first stage of this application, in mid-May of this year at the Commission for Economic Reform meeting, chaired by Prof Wladyslaw Baka.

1. The evaluation of the first months of the application of economic reform is not unequivocal. It should not be forgotten that the economic situation is far from clear and that it is burdened with difficulties that accumulated in past months and years, which, obviously, affects the size and extent of the crisis situation.

The application of a new economic mechanism in the first quarter of this year, however, produced some initial results and positive assessments, but it also showed the main zones of dangers and difficulties. One thing is sure: the government, with full determination, will continue the further application of reform, eliminating all kinds of negative phenomena and the traditional method of thinking and acting in all fields of the national economy. The second certainty is that the workplaces are already beginning to think in terms of cost-effectiveness and to compare outlays with achieved results.

Of the negative phenomena, four matters which constitute a specific type of obstacle on the road to reform deserve special attention:

--the relatively modest, despite reform, growth in production, particularly that which is most needed,

--the insufficient improvement in labor productivity,

--the weak technical improvements in employment,

--the restricted development of export production.

In addition to these, there is still one more phenomenon, which is extremely threatening to economic and social results. It is the unjustified increase in prices by production and service enterprises which in this, the easiest of ways, strive to make a profit on the plant's books. This applies particularly to the enterprises that have a monopoly on the domestic market and who know that the customers will buy their products or services anyway (because they must).

But this kind of activity cannot go on over the long term. In those places where control offices work effectively (e.g., those under the State Price Commission, the Price Inspectorate, or the Social Price Inspectorate, under the Consumers' Federation) excessive and unjustified prices are detected quite rapidly, and the enterprise must bear the specified consequences.

A somewhat different kind of consequence is being suffered now by the frozen-food producers who, wanting to make a bit too much, held the frozen food in the coolers instead of putting it on the market at the turn of the year. Today, when it is possible to purchase fresh vegetables, there are no buyers, despite a price reduction, for frozen foods. And so for the first time in years the law of supply and demand prevailed on the market as a result of economic reform. The frozen-food producers must bear the losses for their extreme greed, which, maybe, will teach them to be flexible in their calculations and not to maintain a monopoly on the market at any price.

During the exchange of experience accumulated during the first quarter's application of economic reform, it was emphasized that the work on applying organizational and management structures to this reform must be accelerated. A definition of the functions and principles of the work of the general-type ministries and their connection and interdependencies with the so-called production ministries, is especially urgent.

The application of economic reform in agriculture and the food economy is particularly important. A positive sign here is the deepening, from month to month, integration of agriculture with procurement and with the team from the food economy production and processing subsectors. This facilitates increasingly effective application of economic mechanisms in controlling farm production and food processing. This does not mean, however, that in agriculture, procurement and the food economy everything is already proceeding in accordance with assumptions and anticipations. Trade and procurement, especially, still react and operate "the old way". An example of this is the recent "disaster" of the overproduction of eggs, the overprocurement of meat, and the first appearance of strawberries on the market.

All of these are cases which irritate the public, reveal the incompetence of the people who direct the particular segments of the agricultural economy, who, because they could not make effective decisions and lacked the skills to apply cost-effectiveness, will have to leave the often high positions that they occupied. Over the long term they will not be able to cope with the new requirements stemming from economic reform, and they will clash with the efficiently working members of the workforce of the home enterprise, who will not want to work "in the red". Reform requires economical management, otherwise nothing will protect the plant from liquidation.

2. The problem of the possibility of bankruptcy, extremely painful from the social standpoint, was also widely discussed at the Commission's meeting. A draft law on reorganizing the management of the enterprises and on their insolvency had to finally be laid down. The general principle has been accepted that where economic losses occur, in accordance, after all, with the consequence stemming from the self-financing principle, the founding organ puts the enterprise into liquidation. It is also possible, if the founding organ so decides, to bring in a board of commissioners.

Theses pertaining to the directions of reform of the principles of remuneration, submitted by the Ministry of Labor, Wages and Social Affairs, turned out to be an extremely important matter. The fact alone that they aroused a long and, it may be said "hot" discussion, shows that this is not and will not be, in the immediate future, a simple undertaking. On the one hand, we must contend with the expectations of the workforces, and on the other hand, we must remember that the state of the economy does not permit a reformation of the system of remuneration. No one, however, denied the need to introduce an effective incentive system, which would help in strengthening the principles of the three "S"s [self-government, self-dependence, self-financing] in the workplaces, in restoring market balance, and in increasing the export of products for which there is no shortage of buyers abroad. The draft of a change in the system of remunerations will be studied by the government and submitted for public discussion.

The many difficulties, resistances and inadequacies that have been pointed out do not overshadow the fact that the economic reform applied is meshing more and more with the current and future goals of the country's economic policy. It has been emphasized that the local organs of state administration, who should continue to watch over and evaluate the development of reform in their areas, deserve a great deal of credit for this.

9295

CSO: 2600/811

UNIT STATISTICS OF INDUSTRIAL PRODUCTION REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 28, 1 Aug 82 p 2

[Article by Ch. M.: "In Standard Units; From Main Statistical Office Materials"]

[Text] Data on industrial production in standard units are a relatively good measure of the growth rate of this production, because the effect of price changes is decidedly avoided here. Have any further displacements--and what kind--occurred in the sizes of production of important products, on which records are centrally maintained, in June of this year, in comparison with the same periods last year? The answer to this question may be a useful verifier in the diagnosis of production trends at the end of the first half of this year and the beginning of the second half.

In the group of products in which during the entire first half of this year production in standards units grew relatively strongly, the end of the six months brought a certain weakening in the rate of production. Hard coal mining (15.7 million tons) in June of this year, and also in May of this year (15.8 million tons), did not exceed the April, this year, level (15.8 million tons). This meant that in June, as compared with the same period last year, there was a continued considerable increase of 18.7 percent, although it was something smaller in comparison with May of this year (the corresponding index in May of this year was 22.3 percent).

Similarly, in each of the three months in the second quarter, brown coal mining amounted to approximately 2.8-2.9 million tons.

Crude oil refining, which in April and May of this year showed an upward trend (1.1 million tons in April and 1.2 million tons in May), dropped to the February (this year) level in June--0.9 million tons.

Electrical energy production declined in June of the current year to 8.3 billion kilowatt-hours, compared to 8.9 billion kilowatt-hours in May of this year and 9.6 billion in April.

In all three months of the second quarter, production of electrolytic copper amounted to approximately 30,000 tons.

The processing industry was represented modestly in that group of products whose production did not decrease (or decreased slightly) in comparison with last year.

Here we can list farm tractors: in June of this year, 4,400 were produced, in May, 4,500, compared with 4,600 in April, 5,300 in March, 4,400 in February and the same in January of this year. Last year tractor production dropped in May and June to approximately 3,200, from 4,500 in April. In previous years, tractor production amounted to 4,500 to 5,500 monthly.

Fiberboard. In June, 11 million cubic meters; in May, 10.9 million square meters [as published]; in April, 9.9 million square meters. In June of this year, as compared with June of last year, 28 percent more, and 3 percent more for the first half of this year than for the first half of 1981.

Slaughter animal products. In June the same as in May, 157,000 [tons]: a 29.7 percent increase in relation to June of last year (June and July of last year were exceptionally poor).

Butter. In June, 25,800 tons, in May, 18,300 tons, and 12,600 tons in April. In comparison with June of last year, this was 2.6 percent more. For the first half-year an increase of 3.9 percent was recorded.

Cigarettes. In June, 7 billion, in May 7.1 billion, and the same in April; in June of this year, 8.4 percent more than in June of last year. In the first half-year, cigarette production was 4.5 percent higher than in the first half of 1981.

In the remaining products of the processing industry, by June of this year the level of production approximating that of the past year had not been achieved. There was also a slight change, compared with this May, in the list of products whose production in relation to last year declined no more than 10 percent.

Coke from hard coal. In June, 1.4 million tons; in May, 1.5 million tons; in June of this year, 5.5 percent less than in June of last year. In May of this year, a 6 percent drop. A decline of 5.1 percent for the first half-year.

Sulfur. In June, this year, 0.44 million tons; in May, 0.41 million tons. A drop of 0.7 percent compared with June of last year, and a drop of 8.8 percent compared with May. In the first half-year, a drop of 4.3 percent.

Nitrogen fertilizer in terms of N_2 . In June of this year, 94,500 tons, in May, 101,500 tons. A drop of 4.9 percent in relation to June of last year, 11.6 percent for May, and 3.9 percent for the first half-year.

Phosphorous fertilizers in terms of P_2O_5 . In June, 69,200 tons, in May, 67,900 tons; in comparison with last year, 1.4 percent less in June, 1.1 percent less in May of this year, and 4.4 percent less for the first half-year.

Plastics. In June of this year, 42,400 tons, in May, 42,900. This was a considerable improvement over April of this year (about 10 percent) and the same period last year (a production growth of 15.2 percent in June of this year, and 4.2 percent in May). In the first half-year, plastics production was 5.3 percent lower in comparison with last year.

Cement. June production the same as in May, 1.5 million tons. In April, 1.3 million tons. A 2.1 percent decline in production compared with June of last year. In the first six months, 1.6 percent.

Sawn timber. June, 0.5 million cubic meters, May, 0.48 million cubic meters. In April, 0.47 million cubic meters. A production drop in June of 0.6 percent compared with last June. In the first six months, 8.4 percent.

Paper. In June, 83,000 tons, in May, 85,000 tons. In April, 79,000 tons. An increase of 14.3 percent in June of this year over June of last year. A production decline of 3.1 percent for the first half-year.

Cardboard. In June, 17,700 tons, in May 19,500 tons--the May 1981 level. In April of this year, 18,000 tons. For the first six months, 7.4 percent less.

In the list of products mentioned, consumption vegetable fats did very badly. In June of this year, 13,600 tons, in May 20,300 tons. In April, 21,300 tons; a drop in June of this year in relation to June of last year amounting to 36.2 percent, and for the first six months, 11.7 percent.

Unfortunately, the group of articles whose production in the first six months was over 10 percent lower in comparison with last year continued to be large. In June of this year, in comparison with May of this year and previous months, some changes in the production amounts of this group of articles also took place.

Rolled products. Production in June of this year, 887,000 tons; in May, 919,000 tons. In April, 858,000 tons. A drop of 9.2 percent in production this June as compared with June last year, and a drop of 18.4 percent in the first six months.

Steel pipe. In June and in May, 19,000 kilometers; in April, 19,500 kilometers. A production drop of 14.5 percent in June of this year compared with June of last year, and 11.6 percent for the first six months.

Aluminum. In June, 3,500 tons; in May, 4,100 tons; in April, 3,900 tons. A decrease in June of this year in relation to June of last year amounting to 30.3 percent. For the first half-year, a drop of 39.5 percent.

Household washing machines and rotary water-extractors (electrical). In June of this year there was an improvement. Five thousand [as published (?)] were produced; in May, 35,200, in April, 35,400. Production in June of this year dropped 11.2 percent in comparison with June of last year. In the first six months, production was 24.8 percent less in relation to 1981.

Refrigerators and freezers. In June, 46,700, in May, 51,500, in April only 36,900. In June of this year, as compared with June of last year, production was 1.1 percent less. In the first six months, production dropped 20.8 percent in relation to 1981.

Railroad freight cars. In June, production dropped still further, to 502. In May, 566, as compared with 608 in April. In relation to June of last year, the decline in production of freight cars amounted to 39.1 percent, and for six months, 41.8 percent.

Passenger vehicles. A relative improvement in June--20,200 were produced. In May, 19,700, and in April, 18,900. In comparison with June of last year, production increased 0.5 percent, and in the first six months, a very large drop in production continues (28.9 percent).

Trucks and road tractors. In June, 3,300, in May, 2,800--the same as in April. A decline of 8.7 percent in comparison with June of last year. In the first half-year, a decline of 21.1 percent.

The production of electromagnetic cable shows large fluctuations from month to month. In June, 1,300 kilometers. In May of this year, 1,700 kilometers, and in April, 1,500 kilometers. In relation to June of last year, production declined 17.6 percent in June of this year, and in the first six months, 43.1 percent.

The production of radios continues to be low and falling: In June of this year, 130,000, in May, 143,000, and in April, 147,000. A decline of 32.8 percent in June, this year, over June of last year, and 23.4 percent for the first half-year.

The production of television sets is also fluctuating unfavorably. In June, 45,600 sets were produced, in May, 55,500, and in April, 47,000. The drop in production in June of this year in relation to June of last year amounted to 23.3 percent, and in the first six months, 32.7 percent.

In the production of many products of the chemical industry, the decline in production in the first half-year (compared with last year) reached and exceeded 20 percent.

Synthetic rubber. In June of this year, 6,100 tons, in May, 7,800 tons, and in April, 7,300 tons. Production declined 7.1 percent in comparison with June of last year, and 19.9 percent for the half-year.

Chemical fiber. Production in June, 17,800 tons, in May, 18,100 tons, and in April, 14,300 tons. In June of this year, in comparison with June of last year, there was a growth of 13.9 percent (in June of last year, chemical fiber production was exceptionally low). In the first half of this year in relation to the first half of last year, production dropped 17.9 percent.

Tires. In June, 0.45 million tires were produced; in May, 0.47 million; in April, 0.48 million. A decline of 14.8 percent in June of this year compared with June of last year, and 22.6 percent for the first six months.

Cotton and cottonlike fabrics. In June, 58 million meters were produced; in May, 60 million meters, and in April 57.6 million meters. The drop in production in June of this year compared with June of last year amounted to 14.1 percent, and 16 percent for the first half-year.

The production of wool and woollike fabrics amounted to 7.4 million meters in June, 7.5 million in May, and was 19.8 percent lower in June of this year over June of last year. The drop in this production in the first half of this year compared to the first half of last year amounted to 18 percent.

Salt-water fish products. In June of this year, just as in May, 49,300 [tons], as against 56,500 tons in April. In comparison with June of last year (just as in the

case of chemical fibers, June of last year in this subsector was very poor), a growth of 15.9 percent. In the first six months of this year, in comparison with the first half of last year, a decline of 18.5 percent, and in relation to 1979, a decline of 31 percent.

Commercial feed mixtures. In June of this year, 0.4 million tons, in May, 0.5 million tons. In April, 0.4 million tons. A decline of 47.3 percent in comparison with June of last year, and 37.9 percent in the first six months compared to 1981, and a drop of 41.4 percent compared to 1979.

The production of slaughter poultry declined the most. In June of this year, it amounted to 4,900 tons, in May, 5,100 tons, and in April, 4,900 tons. The drop in relation to June of last year was 81.3 percent. In the first half of this year, poultry production dropped 59.3 percent in comparison with last year.

9295

CSO: 2600/829

REORGANIZATION OF SHIPPING INDUSTRY ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 4 Jul 82 p 6

[Article by J.D.]

[Text] I am following with interest the efforts of our merchant marine, which refuses to submit to economic decline and looks for ways to resist adverse economic situation whose symptoms are, among other things, the want of goods of the Polish foreign trade and the inability of Polish fleet to compete, caused by ignoring for years and years a need for its modernization.

Availing of opportunities afforded by the law on state enterprises (of 25 Sep 81), three new joint-stock shipping companies were formed on the Seacost.

In Gdynia, there came into being Polskie Towarzystwo Okretowe SA [the Polish Ship Company SA] [Joint-Stock Company], which purchased from the (PLO) [Polish Ocean Lines] 155 ships worth 12.4 billion zlotys. As shareholders of the company are also the WARTA Insurance and Reinsurance Company and Polish Security Bank SA [Joint-Stock Company]. The company has acquired ships on bare-boat charter basis. This means that the Polish Ship Company purchased ships without crews and equipment, and chartered them to the Polish Ocean Lines (PLO). PLO retained ownership of ships mortgaged and acquired in leasing. Thus, the Polish Ship Company SA became the owner of considerable majority of PLO assets, whereas their exploitation remains without change in the hands of the heretofore ship operator in Gdynia. The functions of the chairman of the board were assumed by Tadeusz Grembowicz, who at the same time retained the position of the director general of the Polish Ocean Lines.

In Szczecin, there was formed the Zegluga Polska Spolka Akcyjna (ZP) [Polish Shipping Joint-Stock Company], whose shareholders became: PZM Maritime Agency and POL-FRACHT [Shipbroking and Chartering Company]. The company purchased from PZM 99 ships worth 11.5 billion zlotys, that is all the ships which had been totally owned by the Polish Merchant Marine. The position of the chairman of the board was assumed by Ryszard Karger who at the same time will remain director general of PZM.

In Szczecin was likewise registered Spolka Akcyjna Chlodnicze Przewozy Morskie [the Joint-Stock Company-Maritime Refrigerated Transport], which purchased 9 ships from the "Transocean."

A question arises--whether all these changes are only formal in character, whose only effect will be the expansion of the bureaucratic machine. For the state enterprises--PLO, PZM, Transocean do not cease to exist because the three new shipping organizations were formed. Directors Grembowicz and Karger present the following arguments for the organization of companies:

A company is a universal form in the shipping business. It will be easier therefore to conclude agreements of a similar nature in the international arena. One should realize that our fleet--because it lacks Polish foreign trade freight--it is becoming more and more an earner's fleet, and therefore it makes a difference whether the enterprise is legally and organizationally adapted to market requirements. The state enterprise in the shipping world willy-nilly arouses suspicion that its operations are supported by the state. Now that the proper legal framework has been provided there is no reason to maintain the less effective organizational structure. Likewise one cannot be indifferent to the fact that shipowners while renewing tonnage are placing their orders in foreign shipyards. Purchases of PLO in France and Spain of units of the con-ro and ro-ro type amount together with interest to half a billion dollars. To a company it will be easier to bear the risk of these purchases. At this moment the shares of the companies are in the hands of the founders. But these shares are bearer shares and as such can be accessible to everyone. If the investment policy of the company will require the selling of its shares, in order, for example, to increase stock capital or vested capital, then such a sale may take place. There is also a possibility of attracting to the founded companies the foreign or Polonia capital. In the present situation the Polish shipowners will have to think themselves about organizing means for the investments. For this the company affords greater possibilities.

The fact that the owner of the fleet is the company, and it is being managed by someone else, is not an unusual but a common practice in world's shipping usage. The separation of property from the function of management permits, as is shown by practice, the concentration of the operating units on the canvassing activities. And that's after all the point--to have freight. The misgivings that the number of employees will increase are unfounded. The personnel of shipping enterprises remains unchanged. Moreover, Director Karger has assured us that even though he fills three positions but he is being paid for only one.

Suspensions that the formal measures are being taken to avoid a seizure of ships in the event of declaration of the insolvency of Poland are without legal substantiation. The precedents, as for example, debts of the tsarist Russia, prove that there is no foundation for punishing an enterprise for debts of the state. On the other hand, the indebtedness of a shipowner for ship's mortgage is not to be considered, for it amounts to about \$11 million. There is, therefore, no danger of the seizure of ships, and this also removes allegations that only a "change of skin" was intended.

The company, as a form of operation, is among the traditions of the Polish shipping. The newly formed companies refer to their prewar names. "Zegluga Polska SA Gdynia" [Polish Shipping Joint Stock Company Gdynia] was formed in November 1926. In 1939, it operated 10 regular lines. Polsko-Brytyjskie

Towarzystwo Okretowe SA Gdynia [The Polish-British Shipping Joint Stock Company Gdynia] was founded in 1928. These names are being remembered in the shipping world. However, apart from the reference to the accomplishments in the past and a desire of using the very best of them, recently, the operations of the Polish merchant marine were carried out also in the company form on a limited scale, which nonetheless permitted the accumulation of experiences. There was formed the Polish-British Company with a participation of PZM to finance (on mortgage, plus foreign credits) the purchase of 14 ships for the Szczecin shipowner, built in British shipyards. Likewise a French-Polish company with the participation of PLO is in operation, which exploits four ships of the con-ro [container-roll-on], built in France. Also in the CEMA countries the shipping company is not a new form. For example, of the same character, and that on international scale, is the Czechoslovak fleet.

The authors of changes in the merchant marine are being also reproached that until now the state enterprises--PLO and PZM--were considered to be good, and now all of a sudden they have become bad, and that in general the shipping state enterprises have greater period of practice in our country than the prewar companies, and therefore there is no reason to carry out organizational changes. The fact is--stated in this connection Director Karger--that the shipowners had operated according to a financial-economic system that exceeded the resources of our economy, and which at present ceases to be adequate for our fleet, for the external conditions of work of the fleet are changing. Suffice it to mention that almost a half of freight carried by our fleet is foreign freight. It will be easier for a company to carry out day-to-day operation, especially within the scope of the current international exchange payments. It will be also easier to obtain the investment credits for its own account and risk, since the state warranty would not be necessary.

The weakness of the maritime agency has born out until now by the fact that until now its integration with the rest of our economy has not yielded results in the form of concrete profits of enterprises, departments, men. The effects of cooperation have been lost in the general economic results of enterprises. The company form of ownership in shipping may depart in this practice, for there is a chance to link durably the interest of the shareholders with the results of the shipping.

1015

CSO: 2600/751

GREATER COORDINATION NEEDED IN EXPORT PRODUCTION RESEARCH

Bucharest REVISTA ECONOMICA in Romanian No 26 2 Jul 82 pp 12-13

[Unsigned article: "Shortening the 'Idea-New Product-Export' Cycle"]

[Text] On the occasion of the Third National Conference On Electrical Actuation, held between 28 and 30 May 1982 in Brasov, REVISTA ECONOMICA organized a roundtable on the subject of the role of technical-scientific creative work in promoting exports.

Personalities from the realm of specialized scientific research participated in the roundtable: professor Dr N. V. Botan, honorary president of the conference, from the "Gh. Asachi" Institute in Iasi; professor engineer Dr C. Saal, president of the Conference Organizing Committee, from the University of Brasov; professor engineer Dr A. Kelemen of the Cluj-Napoca Polytechnical Institute; professor engineer Dr E. Seracin of the "Traian Vuia" Polytechnical Institute in Timisoara; professor engineer P. Degeratu of the University of Craiova; professor engineer Dr W. Szabo of the University of Brasov, lecturer engineer Dr I. Matlac of the University of Brasov; lecturer engineer Dr D. Calueanu of the University of Galati; and on behalf of REVISTA ECONOMICA, Dr I. Georgescu.

In analyzing the direct correlation existing between competitiveness on the foreign markets and the rate of updating goods that are exported, the secretary general of the party, comrade Nicolae Ceausescu, pointed out way back at the Conference Regarding Foreign Trade Activities in 1971 that: "It is necessary for the problem of updating products, of developing our own research and introducing its results into production to be resolved according to the requirements of the technical-scientific revolution of today. In other countries, research usually takes a year or at the most two, and after its completion the respective product is put into production within several months. At the same time, research is continued for the purpose of updating and improving the product."

Since the current stage of the intensive growth of the economy raises ever more acutely the problem of the rapid introduction of the results of our own research into production as a condition for maintaining the rate of economic growth and for efficiently participating in the international divisions of labor, in our discussions we attempted to identify those factors capable of accelerating this process.

How We Can Reach "Critical Mass" in R and D

Beginning with the characteristics of the research-development (R and D) activities in the electrotechny industry and assuming the concentration of certain significant forces (researchers, a technical base, material funds), the participants stressed the importance of coordination of research efforts towards converging objectives at the different university centers in the country, and eventually together with the departmental institutes, thus generating a research and development potential that is competitive on the international level. Within the framework of this process of cooperation, a decisive factor is the quality of the technological forecasting which efficiently directs research subjects, without costly zig-zags, towards the specific objectives of the producer and Romanian exports, within the context of the international evolution of technology and the specialized markets.

The role of technological forecasting can be compared with one of Mendeleev's tables which identifies the position of "new elements," elements that have not even been discovered, within the structure of the picture of world technology and on this basis research and development strategies are formulated for the discovery and description of new products. It is naturally, therefore, for the industrial user (an industrial central, an economic ministry) to systematically communicate in an organized manner its options to the specialized departments of higher education, also eventually organizing multilateral cooperation between them, including cooperation with the scientific research institutes and the specialized technological engineering institutes.

The latest technical fairs and expositions in our country have shown the existence of certain types of research carried out in parallel by different centers in the country, having the same end result, without any reciprocal exchange of information regarding the efforts and the solutions that were obtained.

Certainly, we do not have to negate the need for certain alternative technical solutions (in the cases where they are not identical) for different practical requirements. What, however, may be damaging could be the "regular" selection of the ICSIT's solutions when there are also other valuable or even more valuable solutions.

The industrial user's option is many times influenced by the practical, specific and immediate needs for those products and technologies needed for the technical-material supply of the units in the country. But, in such cases we lose sight of the criterion introduced over a decade ago in the strategy of developing our foreign trade: the specialization of export production. As the secretary general of the party pointed out: "It is necessary to give greater attention to the specialization of export production, putting an end to the practice of exporting a little of everything, which has a negative influence upon the efficiency of our foreign trade." The fact that this modern, decisive concept for the efficiency of foreign trade still has not

also been appropriately applied in the export of intelligence is proved by the following example: 6 years ago, the "Gh. Asachi" Polytechnical Institute in Iasi produced, at the request of the "Azo-mures" Enterprise, a high technology device for maintaining synchronization in synchronized motors in the event of a short-term loss of electrical power, losses of power that can cause millions of lei in damage to the economy. To this end, the institute succeeded in producing an original device incorporating eight invention patents which, when put into operation, behaved very well both under simulated conditions and in actual use.

Although the evaluation was general and unanimous, there being promises to start production of the device in a specialized enterprise of the machine building industry, it has remained in the project stage right up to today. As a result, the entire process of offering the device for export was stopped although there were export orders from both the socialist countries and the West. But, nothing more simple, such as extending the device's use throughout our country for similar working conditions, was done, which, certainly, is another loss for the national economy. Another device that was not appropriately put into use was the "automatic temperature regulator," a device built by the Iasi Polytechnical Institute, at the request of the Iasi Fabric Enterprise where it successfully replaced a similar device that had been imported. Such a device could have been further produced through microproduction runs, if it had been known and ordered. But, the spread of the device is, for its part, tied to official approval, the approval is tied to finding a user that will produce it... and so forth.

What is significant for this evolution also is the fact that the Ministry of Education still does not have a sector that is involved in the coordination of university research. And, the departmental institutes many times propose themes for the university researchers that they consider unprofitable or too difficult for their activities.

A Stimulating Normal Framework

We believe that the improvement of the normal framework of technical creative activities during the "Decade of Science and Technology, Efficiency and Quality," must begin with... the beginning, that is, with documentation. Actually, it is a significant hard currency effort for each university center to carry out technical documentation, but this is a specific raw material having the ability to astronomically increase its value - as a result of passing the scientific information through the filter of creative intelligence. One means for the Iasi Polytechnical Institute of maintaining ties with the international scientific community has been, up to recently, the exchange of the "Iasi Polytechnical Institute Bulletin" with approximately 2,000 other specialized magazines throughout the world, which truly represented an important source of documentation and a cultural act of national prestige. In recent years, through a reduction in the number of issues, appearing only twice each year, and the number of pages, the amount of information transmitted has fallen to only 20 percent and, as a result, likewise for the exchanges.

It seems that overall we are not talking about a savings (in paper), but a loss, both with regards to the well-established prestige of this Iasi technical publication and with regards to the documentation of the research in this university center.

The struggle against the bureaucratic, office-work spirit in scientific research could start by promoting to the positions of sector chief, section chief, project chief and director only specialists in the research field who have, through their own research, obtained the title of doctor in their specialty. Only on the basis of such experience can one competently exercise the tasks of coordinating research activities and understand the requirements and exigencies of this work, a process that is normal in the entire world.

The promotion of the export of technology during the decade of science and technology can also be accomplished by the adequate regulation of the reporting of inventions to the State Office for Inventions and Trademarks. We are surprised to find that in recent times for the services of examining, publishing and maintaining protection over patents covering inventions a charge is levied which, in cases where there is no enterprise that will take the invention, must be paid by the inventor. Moving through the above-mentioned stages, which is frequently a long and costly process, at the same time influences the publicity and scientific activities of the invention's author in our country and abroad through the prism of protecting intellectual property, factors which, when accumulated, tend to discourage some authors from starting this "battle."

There are, we believe, several arguments which speak out for one or more specialized enterprises of the kind that exist in other socialist countries accepting the complex development tasks for certain inventions up to the patenting stage, and then also becoming involved in its industrial use, either in-country or in the export of the invention. One possible solution would be the inclusion of these activities under the Romanian Institute of Consulting and Rominvent.

If we were to refer to the activities of technical-scientific creation carried out within the framework of the most recent edition of the "Song of Romania" National Festival, concluded with the registry of approximately 25,000 inventions and innovations, we would see that objective speaking they cannot all be applied to our own production given the investment costs that would be involved. The result is that this portfolio can be partially also used in export activities. At the same time, the domestic development of certain inventions is not always incompatible with the issuing of licenses to certain foreign producers. But, unfortunately, in this area there must be a great deal of effectiveness, professionalism in sales or otherwise time imperceptibly, but surely erodes the value of these products of intelligence.

Another aspect revealed within the framework of the discussions deals with the organization of university research bases, since the universities suffer

from a shortage of auxiliary personnel which means that administrative activities must be carried out by the research personnel. A portion of the current difficulties of Romanian university research - with its rich traditions and resulting worldwide prestige - is due to the failure to appropriately apply in practice the integration of education-research-production. The existing resources in this area can be illustrated with the achievements both in our country and in international practice. For example, the fruitful cooperation between the University of Brasov and the Self-Powered Vehicle Industry, between the "Traian Vuia" Polytechnical Institute in Timisoara and "Electromotor" Timisoara, and between research and production units that are even located in different places, such as the Cluj-Napoca Polytechnical Institute and the Bucharest Electronic Computer Enterprise which have good cooperation. In international practice, it has become a frequent practice to have the development of certain small-scale industrial units for the purpose of using the invention of a professor or even a student (for example, in microelectronics). Among the participants at this discussion were the producers of the first Romanian linear motor and the first step-by-step motor, which, in their times, placed us among the first countries in the world in the field of these types of electrical machines. Unfortunately, today we do not know why these technical priorities were not used in specialized production units for export, including as substitutes for imports. During the current five year plan, as comrade Nicolae Ceausescu pointed out at the Plenary Session of the RCP Central Committee on 1-2 June: "We will have to ensure the more powerful growth of science as a stimulating factor of economic-social progress," a sector considered to go together with the development of the energy and raw material base and agriculture as decisive for the creation of a multi-laterally developed socialist society in our country. That is why we must take pains in a constructive sense to take energetic measures for ensuring a climate of promotion and use in production and export of Romanian technical creations. Following the discussion in REVISTA ECONOMICA of a series of aspects regarding "the Use of Comparative Advantages in the Field of Technical Innovation" as a means of increasing efficiency in foreign trade activities, we received other proposals of a similar nature at the editorial staff from engineer Dr Vlad Doicaru, a collective chief at the Bucharest Computer Enterprise, regarding the development of another field of top-level technology, "optical telematics." We will continue with the letter that was received.

A Point of View Regarding Romanian Optical Telematics

The implementation of informational systems using optical telematics, dealt with in REVISTA ECONOMICA No 9/1982, requires: experience in the applied field of computer systems (mini-micro) and the capability of accomplishing data communications lines in an industrial environment having electromagnetic disturbances or powerful acid environments, requiring the use of optical telematic equipment (a field born on the frontier of data telecommunications and which uses optical carriers as a channel for transmitting information).

In Romania, this field that is also new on the worldwide level has experience accumulated over a long period of time, but in a disparate manner (in different

places and for different purposes this research developed around certain enthusiasts in the Bucharest Polytechnical Institute, the Electronic Computer Enterprise, the Design Institute for Automation and the Central Institute for Electrotechnical Research). Begun with experimental assemblies and prototypes that proved to be good construction solutions after testing, the Romanian optical telematic equipment successfully confronted similar products from certain renown companies at several international fairs and expositions: in Hanover, Vienna, Barcelona, Leipzig, Moscow and so forth. A portion of these systems contained not only original Romanian technology but also indigenous opto-electronic components (photo-diodes and PIN built at the Research Institute for Electronic Components). These products were ordered by different foreign partners, and thus we recorded the export of Fellas systems produced by the Bucharest Computer Enterprise outside of the export plan to Switzerland, the United States, the Soviet Union, the People's Republic of China. We can mention that in 1979 for the first time in our country by using a Fellas system of domestic design we produced the first optical data path using glass fibers between two computers in Bucharest. In 1980, we successfully tested a link using the Fellas system through the atmosphere between two units of the Industrial Central for Electronics and Computer Technology, while in 1981, the leadership of the Ministry of the Machine Building Industry was presented with a combined link for transmitting data through optical fibers and microwaves using the Fellas system and Interfelix. We can also note that the transmission stations for sending the information through the atmosphere were powered by the Solas system which continuously follows the position of the sun and provides power from solar batteries, built in cooperation with Bucharest Polytechnical Institute, in the department of professor M. Draganescu.

The bringing together of the experience in the field of building equipment with the experience in the field of implementing optical telematic applications has permitted the specialization in our country of certain young engineers (automation specialists, information specialists, physicists) in this new field so that currently they can respond to certain foreign demands regarding the production and installation of medium distance systems. At the same time, telematics can be considered an extension on a higher level of export activities in the area of computer technology through applications of the "delivery-to-the-dock" type.

All these achievements cause us, at the same time, to recognize that under the conditions of a better coordination and orientation in this new field these accomplishments could be even more significant. The fact that to date a body has not been named that will give direction to the unified research, design and experimentation of these opto-electronic systems results in the qualitative accumulations made by the different collectives that are carrying out research in this field not receiving the appropriate international affirmation, with significant efforts being wasted in the production of prototypes having similar performance.

The lack of coordination and guidance in this new field also has repercussions with regards to the optimum allocation of resources: people, technology and finances. Like in any new field, the responsibility for coordination involves some risks, but only by our assuming the responsibilities and the risks can we efficiently develop the new field in our country. Countries that started after Romania in the study and applications of this new field through the use of exact and systematic programs have succeeded in some applications of reaching or even surpassing our experience level.

8724

CSO: 2700

SARAJEVO BANK OUTLINES PLANS TO IMPROVE LIQUIDITY

Sarajevo OSLOBODJENJE in Serbo-Croatian 24 Jul 82 p 4

[Excerpt] At yesterday's meeting of the assembly of the PBS [Economic Bank of Sarajevo]-Associated Bank attention was given to improving foreign exchange liquidity to the end of this year and the tasks of this bank which follow from the Law on Temporarily Prohibiting the Granting of Guarantees and Credits to Finance Investments. This year the bank plans to collect about 50 million dollars from foreign exchange remittances from workers abroad; in the first 5 months of this year one-half of this plan was met. With additional efforts which the bank is making in this sector, this inflow of foreign exchange should exceed the plan by about 1 million dollars. The action of basic banks in this is exceptionally important. Buying up foreign exchange from citizens should be programmed according to specific foundations and outlines. Thus, one should continue to grant credits on the basis of foreign exchange sold for unspecified purposes. Also, one should continue to grant credits for building family houses and for purchasing housing according to current regulations, in so doing one should avoid granting credits on the basis of a down-payment, one-third of which consists of dinars which had been purchased with hard currency, instead of on the basis of hard currency deposits. All basic banks which have not done so up to now, should begin with this form of financing.

It is also necessary to increase and improve offers to our workers abroad which will motivate them to transfer more hard currency to this country. Basic banks should make important preparations to this end; namely, every basic bank, in cooperation with opstina governments, should establish in its area a certain number of locations for family houses, apartments, and business space to be sold to returnees for hard currency. In cooperation with agricultural combines a study should be made of the suitability of investments in certain agricultural production, specifying the amount of investments, the kind of contract relations with specific combines, and the work status of returnees who would decide to work in this vocation. The same preparations should be made in regard to the pooling of labor and funds of our workers abroad with manufacturing industries [in Yugoslavia].

The bank has decided, in cooperation with appropriate republic structures, to expand the group of goods which could be sold for dinars which have been

purchased with hard currency; this would amount to granting credits for goods traditionally popular, such as cars, television sets, carpets, and construction materials.

The assembly of the bank elected Obrad Piljak as president of the business council of the PBS-Associated Bank.

CSO: 2800/435

PRODUCTION, PURCHASE OF WHEAT IN 1981, 1982

Belgrade BORBA in Serbo-Croatian 31 Jul 82 p 4

[Text]

| Кретање производње и откупа пшенице у 1981. и 1982. години | | | | | | |
|---|---------------|-------|------|---|-------|------|
| (1) СР и САП | 1981. (3) | | | (13) 000 тона -- 1982 (процена) (14) | | |
| | (2) Произ. | Откуп | % | Произ. | Откуп | % |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Босна и Херцеговина (4) | 277 | 63 | 22,7 | 356 | 88 | 22,5 |
| Црна Гора (5) | 7 | — | — | 6 | — | — |
| Хрватска (6) | 876 | 419 | 47,8 | 1.146 | 634 | 55,3 |
| Македонија (7) | 275 | 118 | 42,2 | 281 | 143 | 51,6 |
| Словенија (8) | 140 | 14 | 10,0 | 162 | 47 | 29,0 |
| Србија (9) | 2.884 | 1.590 | 55,1 | 3.204 | 1.810 | 56,5 |
| Тер. Србија | | | | | | |
| ван тер. САП | 1.190 | 283 | 23,8 | 1.401 | 320 | 22,8 |
| САП Косово (10) | 219 | 47 | 21,5 | 227 | 60 | 26,4 |
| САП Војводина (11) | 1.475 | 1.280 | 85,4 | 1.576 | 1.430 | 90,7 |
| СФРЈ (12) | 4.462 | 2.203 | 49,3 | 5.155 | 2.718 | 52,7 |

Key:

1. Republics, Provinces
2. Production
3. Purchase
4. Bosnia-Herzegovina
5. Montenegro
6. Croatia
7. Macedonia
8. Slovenia
9. Serbia
Serbia proper
10. Kosovo
11. Vojvodina
12. SFRY
13. in 1,000 tons
14. (estimated)

CSO: 2800/435

BRIEFS

INCREASED FOREIGN EXCHANGE SAVINGS--In the first half of this year our citizens deposited \$2.5 billion in foreign exchange accounts, or almost 50 percent of the planned foreign exchange inflow on this basis. Nikola Mrkic, vice governor of the Yugoslav National Bank, stressed that results are considerably more favorable than for the same period last year, when the annual foreign exchange savings plan was about 30 percent met. In June there was over \$430 million in foreign exchange accounts. [Text] [Sarajevo OSLOBODJENJE in Serbo-Croatian 24 Jul 82 p 16]

GERMAN-SARAJEVO BANK CREDIT--On 30 July 1982 an agreement was signed between the Deutsche Bank in Frankfurt and the Economic Bank of Sarajevo [PBS] following extended business cooperation between the two banks, granting 100 million DM credit to the PBS-Associated Bank to finance programs of the FAMOS [Fabrika Motora Sarajevo] and other organizations of associated work. [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 31 Jul 82 p 12]

SAVINGS ACCOUNTS--At the beginning of June total savings deposits (both dinar and foreign exchange) amounted to 577.4 billion dinars (193.9 billion in dinars and 357 billion in foreign exchange. ...Calculating foreign exchange in dollars, based on the medium rate of exchange formed at the inter-bank meeting of 15 July, the above savings would amount to 7,435,000,000 dollars, including the accrued interest. Although dinar savings have nominally increased 13.6 percent since the beginning of the year, in real terms they were lower than on 31 December 1981 due to inflation; whereas foreign exchange deposits increased 11.6 percent compared to the last of this year. The ratio between dinar and foreign exchange savings has steadily changed to the disadvantage of dinars, so that the ratio is almost 3:1 now, i.e., about 62 percent of all savings consists of foreign exchange. It can be freely said that some dinar savings have been changed into foreign exchange where it is protected from inflation. A recent FEC (Federal Executive Council) decision has granted new benefits for foreign exchange savers; it calls for expanding the list of products which can be purchased for dinars bought with foreign exchange, as well as exempting [buyers with foreign exchange] from paying the basic sales tax, granting discounts for purchases made with foreign exchange, etc. [Excerpts] [Belgrade BORBA in Serbo-Croatian 25 Jul 82 p 4]